

B.D.SHROFF SECURITIES PVT.LTD
POLICIES AND PROCEDURE
FOR COMBATING MONEY LAUNDERING (ML) OR TERRORIST
FINANCING (TF)
(Issued as per the requirements of the PMLA
Act 2002) Adopted 9th January 2020

Applicability

B.D.Shroff Securities Pvt. Ltd (BDSSPL), SEBI Registered Intermediary (Broking)

In compliance with

- The PMLA Act 2005 as modified and rules thereof

SEBI Master Circular ref. no: SEBI/ HO/ MIRSD/ MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023 & amendment via *SEBI master circular no SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2023/091* date June 16, 2023 & SEBI circular no. SEBI/HO/MIRSD/SEC-FATF/P/CIR/2023/0170 dated October 13, 2023

1. BDSSPL Policy

It is our policy to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets.

2.1. Written Anti Money Laundering Procedures

BDSSPL has adopted these written procedures to implement the anti- money laundering provisions as envisaged under the PMLA. Such procedures shall include inter alia, the following three specific parameters which are related to the overall 'Client Due Diligence Process':

- a) Policy for acceptance of clients
- b) Procedure for identifying the clients
- c) Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR).

2.2. OBJECTIVE OF ANTI MONEY LAUNDERING:

As per the provisions of the Act, senior management of the company is fully committed to establish appropriate policies and procedures for prevention of money laundering and terrorist financing and ensuring the effectiveness and compliance with all relevant legal and regulatory requirements. The company shall:

- Issue a statement of policies and procedures, on a group basis where applicable, for dealing with Money Laundering (ML) and Terrorist Funding (TF) reflecting the current statutory and regulatory requirements.
- Ensure that the content of these Directives is understood by all staff members.
- 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.
- 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 in system a 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.

2.3. Client Due Diligence (CDD)

2.3.1 The CDD measures at BDSSPL shall comprise the following:

a) 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 client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement

b) Verifying the client's identity using reliable, independent source documents, data or information.

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

c) Identification of Beneficial Ownership Policy

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, BDSSPL shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

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. SEBI master circular no SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2023/091 dated June 16, 2023 & SEBI circular no. SEBI/HO/MIRSD/SEC-FATF/P/CIR/2023/0170 dated October 13, 2023 has amended Explanation:

Controlling ownership interest means ownership of/entitlement to:

Explanation: Controlling ownership interest means ownership of/entitlement to:

- i. more than 10% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ii. more than 10% of the capital or profits of the juridical person, where the juridical person is a partnership;
or
- iii. 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.

bb) In cases where there exists doubt under clause (aa) 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.

cc) Where no natural person is identified under clauses (aa) or (bb) 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, BDSSPL 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 10% 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 will not be necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

iv. Applicability for foreign investors

While dealing with foreign investors, BDSSPL will be guided by the clarifications issued vide SEBI circular SEBI/HO/AFD-2/CIR/P/2022/175 Dated December 19, 2022 , and amendments thereon for the purpose of identification of beneficial ownership of the client. for the purpose of identification of beneficial ownership of the client.

v. Monitor of compliance

The compliance of the aforementioned provision on identification of beneficial ownership shall be monitored by the Board of Directors of BDSSPL

- d) Verifying 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 (c).
- e) Understanding the ownership and control structure of the client.
- f) Conducting 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 BDSSPL's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds
- g) BDSSPL 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 doubt the adequacy or veracity of previously obtained client identification data, and
- h) 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.
- i) No transaction or account-based relationship shall be undertaken without following the CDD procedure."
- j) Every registered intermediary shall register the details of a client, in case of client being a non-profit organisation, 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
- k) 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."
- l) BDSSPL shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process

2.3.2 Policy for acceptance of clients:

2.3.2.1 The client acceptance policies and procedures of BDSSPL is a part of the "BDSSPL Client On boarding and Periodical Review Policy" (Attached as Annexure A) and aims 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, BDSSPL 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 will be followed while accepting the clients:

- a) No account is opened in a fictitious / benami name or on an anonymous basis.
- b) 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.
- c) 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.
- d) Ensure that an account is not opened where BDSSPL 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 BDSSPL is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. BDSSPL 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. BDSSPL shall be cautious to ensure that we do not return securities of money that may be from suspicious trades. However, BDSSPL shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.

e) 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 BDSSPL, 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.

f) 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

g) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

2.3.3 Risk-based Approach:

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

2.3.3.2 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

2.3.3.3 Risk Assessment

a) BDSSPL 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. 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 the URL

http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml

and <http://www.un.org/sc/committees/1988/list.shtml>

b) 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.

2.3.4 Clients of special category (CSC)

Such clients 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 (PEP) are 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. The additional norms applicable to PEP as contained in the subsequent para 2.2.5 of this policy shall also be applied to the accounts of the family members or close relatives of PEPs.

f) Companies offering foreign exchange offerings

g) 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. While dealing with clients in high risk countries where the existence/effectiveness of money laundering control is suspect, BDSSPL shall apart from being guided by 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), also independently access and consider other publicly available information along with any other information which they may have access to. However, these shall not preclude BDSSPL from entering into legitimate transactions with clients from or situate in such high risk countries and geography areas or delivery of services through such high risk countries or geographic areas.

h) Non face to face clients: means who have opened Account without visiting the office/branch or meeting the officials of BDSSPL. video based customer identification process is treated as face-to-face onboarding of clients

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

The above mentioned list is only illustrative and the BDSSPL shall exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.

2.3.5 Client identification procedure:

2.3.5.1 The KYC policy shall clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the client relationship, while carrying out transactions for the client or when BDSSPL has doubts regarding the veracity or the adequacy of previously obtained client identification data. BDSSPL shall be in compliance with the following requirements while putting in place a Client Identification Procedure (CIP):

a) BDSSPL shall proactively put in place appropriate risk management systems to determine whether its existing 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. Further, the enhanced CDD measures as outlined in 2.2.5 shall also be applicable where the beneficial owner of a client is a PEP.

b) Senior management approval would be obtained 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, BDSSPL shall obtain approval from Director to continue the business relationship.

c) BDSSPL shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.

d) The client shall be identified by BDSSPL by using reliable sources including documents / information. BDSSPL shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.

e) The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by BDSSPL in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.

f) Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority (Principal Officer) within BDSSPL

The BDSSPL KYC policy is a part of the "BDSSPL Client On boarding and Periodical Review Policy" (Attached as Annexure A)

2.2.5.2 SEBI has prescribed the minimum requirements relating to KYC from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time, BDSSPL shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices. Further, BDSSPL 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 BDSSPL is aware of the clients on whose behalf it is dealing.

2.2.5.3 BDSSPL 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 and such other additional requirements that is considered appropriate to enable BDSSPL to determine the true identity of its clients.

The BDSSPL CIP is a part of the "BDSSPL Client On boarding and Periodical Review Policy" (Attached as Annexure A)

2.2.5.4 It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to BDSSPL 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 BDSSPL. This shall be strictly implemented by BDSSPL.

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

2.3.6.1 BDSSPL may 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. 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.

2.3.6.2 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. Further, it is clarified that BDSSPL shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

2.4. Record Keeping

2.4.1 BDSSPL shall ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

2.4.2 BDSSPL 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 behavior.

2.4.3 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, BDSSPL shall retain the following information for the accounts of their 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:
 - i. the origin of the funds
 - ii. the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
 - iii. the identity of the person undertaking the transaction;
 - iv. the destination of the funds;
 - v. the form of instruction and authority.

2.4.4 BDSSPL 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, BDSSPL 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 there-under PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

2.4.5 More specifically, BDSSPL shall put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

- a) all cash transactions of the value of more than ten lakhs rupees or its equivalent in foreign currency;
- b) all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakhs 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 lakhs rupees or its equivalent in foreign currency;

- c) 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;
- d) 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 BDSSPL
- e) Where the BDSSPL does not have records of the identity of its existing clients, it shall obtain the records forthwith, failing which the BDSSPL shall close the account of the clients after giving due notice to the client.

2.5. Information to be maintained

2.5.1 BDSSPL will maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

- a) the nature of the transactions;
- b) the amount of the transaction and the currency in which it is denominated;
- c) the date on which the transaction was conducted; and
- d) the parties to the transaction.

2.6. Retention of Records

2.6.1 BDSSPL 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 BDSSPL.

2.6.2 As stated in sub-section 2.2.5, BDSSPL is 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 the clients and BDSSPL has ended or the account has been closed, whichever is later.

2.6.3 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) BDSSPL shall maintain and preserve the records of documents evidencing the identity of its clients and beneficial owners (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of five years after the business relationship between a client and BDSSPL has ended or the account has been closed, whichever is later.

2.6.4 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.

2.6.5 Records of information reported to the Director, Financial Intelligence Unit – India (FIU – IND):

BDSSPL 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 BDSSPL

2.7. Monitoring of transactions

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

2.7.2 BDSSPL shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. BDSSPL 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/FIUIND/ other relevant Authorities, during audit, inspection or as and when required. These records will be maintained and preserved for a period of five years from the date of transaction between the clients and BDSSPL.

2.7.3 BDSSPL 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 (Director) within BDSSPL.

2.7.4 Further, the compliance cell of BDSSPL 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.

2.8. Suspicious Transaction Monitoring and Reporting

2.8.1 BDSSPL 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, BDSSPL shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

2.8.2 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:

- a) Clients whose identity verification seems difficult or clients that appear not to cooperate
- b) Asset management services for clients where the source of the funds is not clear or not in keeping with clients' apparent standing/business activity;
- c) Clients based in high risk jurisdictions;
- d) Substantial increases in business without apparent cause;
- e) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- f) Attempted transfer of investment proceeds to apparently unrelated third parties;
- g) Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services, businesses reported to be in the nature of export- import of small items.

2.8.3 Any suspicious transaction shall be immediately notified to the Money Laundering Control Officer (Principal Officer) or any other designated officer within BDSSPL. 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 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 Principal Officer/ Money Laundering Control 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.

2.8.4 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 BDSSPL shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

2.8.5 Clause 2.2.4 (g) of this policy 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'. 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.

2.9. List of Designated Individuals/ 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 at <https://press.un.org/en/content/press-release>

The details of the lists are as under:

- 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>
- 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

We as Registered Member, 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.

We 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. We 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".

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

2.10.1 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.

2.10.2 In view of the reorganization of divisions in the Ministry of Home Affairs and allocations of work relating to countering of terror financing to the counter terrorism and counter radicalization (CTCR) division, the Government has modified the earlier order dated August 27, 2009 by the order dated March 14, 2019 & SEBI Master Circular ref. no: SEBI/ HO/ MIRSD/ MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023 which needs to be complied with scrupulously. Accordingly, in order to ensure compliance with the Order the company shall follow the following procedure:

In case if any client is found to be guilty under the PMLA provisions then the following procedure to be followed by the DP, the action to be followed will be as under:

1. If the particulars of any of customer/s match the particulars of designated individuals/entities, the intermediary BDSSPL 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 their books to the Central [designated] Nodal officer for UAPA, at Fax No.011-23092551 and also convey over telephone on 011-23092548. The intermediary would also convey the information through e-mail at jsctcr-mha@gov.in
2. The Company 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
3. The intermediary would inform the UAPA Nodal Officer of State/UT so that they may take effective action like informing the State Police and /or the Central Agencies for conducting the verification of the individuals/ entities identified by the registered intermediaries.
4. The BDSSPL to provide full support to the appointed agency for conducting of the verification so that the verification gets completed within a period of 5 working days.
5. The BDSSPL would not provide any prior notice to the designated individuals/entities.

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

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 the concerned stock exchanges/depositories and UAPA Nodal Officer of State/UT.

The stock exchanges/depositories and registered intermediaries 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 3.1 of Annexure 1 of Circular SEBI/ HO/ MIRSD/ MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023 within two working days

The Central [designated] Nodal officer for UAPA, 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 registered intermediaries

However, if it is not possible for any reason to pass an order unfreezing the assets within five working days, the The Central [designated] Nodal officer shall inform the applicant expeditiously.

- a. Reporting to Financial Intelligence Unit-India

i. In terms of the PML Rules, BDSSPL is 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 Bharat 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)
compliance@fiuindia.gov.in
Website: <http://fiuindia.gov.in>

ii. BDSSPL shall carefully go through all the reporting requirements and formats that are available on the website of FIU – IND under the Section Obligation of Reporting Entity – Furnishing Information – Reporting Format (https://fiuindia.gov.in/files/downloads/Filing_Information.html). 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, BDSSPL shall adhere to the following:

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. It shall be ensured that there is no undue delay in arriving at such a conclusion.

c) The Non Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month.

d) The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;

e) Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND.

f) No nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious/ non – profit organization transactions to be reported.

iii. BDSSPL shall not put any restrictions on operations in the accounts where an STR has been made. BDSSPL and its 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 BDSSPL, 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 BDSSPL has reasonable grounds to believe that the transactions involve proceeds of crime.

b. Designation of officers for ensuring compliance with provisions of PMLA

i. Appointment of a Principal Officer:

1. To ensure that BDSSPL properly discharges its 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.

Mr. Haresh K Desai was appointed as Principal Officer. The details of his appointment has been intimated to the Financial Intelligence Unit, India (FIU - IND). Mr. Haresh K Desai is also appointed as the Money Laundering Control Officer of BDSSPL

Names, designation and addresses (including email addresses) in case of change in 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU. As a matter of principle, 'Principal Officer' of BDSSPL will be of a sufficiently senior position and is able to discharge the functions with independence and authority.

ii. **Appointment of a Designated Director:**

1. In addition to the existing requirement of designation of a Principal Officer, BDSSPL 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."

Mr. Cyrus Shroff was appointed as Designated Director of BDSSPL. The details of appointment of Mr. Cyrus Shroff as Designated Director has been intimated to the FIU-IND.

2. 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 BDSSPL to comply with any of its AML/CFT obligations.

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

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

i. Hiring of Employees

1. BDSSPL shall have adequate screening procedures in place to ensure high standards when hiring employees. They shall identify the key positions within its 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.

ii. Employees' Training

1. BDSSPL will have an ongoing employee training programme 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.

iii. Investors Education

1. Implementation of AML/CFT measures requires BDSSPL 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 BDSSPL to sensitize its clients about these requirements as the ones emanating from AML and CFT framework. BDSSPL shall prepare specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme. The said literature/ pamphlets shall be displayed on BDSSPL's website www.BDSSPLshah.com

3. Other principles

BDSSPL shall ensure the following:

- a) Currently, there are no group companies on which the requirements of PML Act is applicable. However, if any when such companies come into the fold, BDSSPL will ensure the statement of policies and procedures are issued on a group basis, for dealing with ML and TF reflecting the current statutory and regulatory requirements
- b) BDSSPL shall ensure that the content of these Directives are understood by all staff members
- c) BDSSPL will regularly review the policies and procedures on the prevention of ML and TF on an annual basis 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
- d) BDSSPL will adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF
- e) BDSSPL will 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
- f) BDSSPL have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- g) BDSSPL will develop staff members' awareness and vigilance to guard against ML and TF
- h) The policy will be review at least on a yearly basis or as & when it is mandated by Authorities.
- i) This revised policy was approved at the Board meeting B.D.SHROFF SECURITIES PVT.LTD Limited held on 7th February 2024

For Board of Directors of B.D. Shroff Securities Private Limited

Chairman

Annexure A - BDSSPL Client On boarding and

Periodical Review Policy Encompassing

Client acceptance policies and procedures/ Due diligence measures on a risk sensitive basis/ Risk assessment and categorization

Client on boarding Process at BDSSPL

- When individual client account opening form is received, all requirements under KYCR and KRA shall be completed
- When non-individual client account opening form is received, all requirements under KRA shall be completed. As and when KYCR starts accepting non-individual clients, KYCR process shall be completed even for non-individual clients
- BDSSPL will use the Permanent Account number (PAN) allotted by the Indian Income Tax Department as the main identifier for the identity of all individuals. The PAN as provided shall be independently verified from the Income Tax Database/ databases of other entities authorized by the Income Tax department.
- All processes like in-person verification, verification of copies against originals, and all other requirements of KRA and KYCR shall be met at all times by BDSSPL diligently

A public database search of the individual (in case of individual clients) and beneficial owners/ senior management in case of non-individuals clients shall be conducted at the following places:

- PAN number search on Google
- Search on Stock exchange provided lists
- Search on whatchoutinvestors.com
- Search on UN databases
- Search in any other commercial database that BDSSPL may subscribe to

The search shall ensure that 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.

If any alerts are generated during the search, then matter shall be escalated to Principal Officer to take a decision whether to open the account or not.

Income and networth details shall be taken for all clients on a self declaration basis.

Where the above details are not available, the account shall not be opened.

Risk categorization

All clients, at the time of on boarding shall be classified in low, medium and high risk categories, based on the following parameters;

Meets all four parameters - High

Risk Meets three parameters -

Medium Risk Meets two or less

parameters - Low risk

- Parameter 1(Location) - If the clients' location (registered office address, correspondence addresses and other addresses if applicable) is out of India in any of the high risk jurisdictions as defined by FATF
- Parameter 2(nature of business activity) - If the client is dealing in derivatives segment
- Parameter 3(Trading turnover) - If the turnover of the client is not commensurate with the income/ net worth as provided to BDSSPL
- Parameter 4(Manner of making payment for transactions undertaken) - it client attempts to make payments from accounts other than its own bank accounts

Persons authorized to trade on behalf of the client

Where an individual client has given authority to another person who is not a relative to trade on its behalf, the matter shall be escalated to Principal Officer

Where a non-individual client has given authority to another person who is not an employee/ office bearer to trade on its behalf, the matter shall be escalated to Principal Officer

In case the authority is given to a SEBI Registered Intermediary like Portfolio Manager or Investment Advisor, the SEBI registration details of such intermediary shall be kept on record.

Client KYC periodic review at BDSSPL

- the KYC of all clients shall be reviewed and updated on a five yearly basis

- For CSC and High Risk Clients, the KYC shall be reviewed and updated every three years

- For PEP, the KYC shall be reviewed and updated every two years