

JRK Stock Broking Pvt Ltd
POLICY ON ANTI MONEY LAUNDERING MEASURES
PART - A: OVERVIEW

1. Introduction

JRK STOCK BROKING PVT LTD (hereinafter referred to as the „Company“) was incorporated under Companies Act, 1956 as a Company and is Securities Exchange Board of India (SEBI) registered broker of the National Stock Exchange of India Ltd. (NSE), Bombay Stock Exchange(BSE) , registered Depository Participant of CDSL.

2. Background

The Central Government passed The Prevention of Money Laundering Act, 2002 (hereinafter referred to as the „Act“) and was made public through Gazette of India published by the Department of Revenue under the Ministry of Finance w.e.f. 1st July, 2005.

The Central Government in consultation with the Reserve Bank of India has framed rules called the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (PMLA Rules).

SEBI has specified guidelines vide their circular ISD/CIR/RR/AML/1/06 dated January 18, 2006 & circular No ISD/AML/CIR-1/2008 dated 19th December,2008 for the intermediaries registered with SEBI u/s 12 of the SEBI Act. The guidelines have been framed under Rule 5 of PMLA Rules for maintenance of information in respect of transactions with its client referred to in rule 3 of PMLA Rules.

SEBI in its most recent circular ISD/AML/CIR-1/2009 Dated 1st September 2009 highlights the needs of more elaborate scrutinizing transactions of Special category clients and the requirements of checking updated list of Individuals and entities whose account has been frozen ,and who are subject to various sanctions measures ,from designated website ,before opening of account of clients .Details of accounts bearing any resemblance to the list should be on priority basis reported to FIU.

Since the company is an intermediary registered with SEBI u/s 12 of the SEBI Act, the Act is applicable to it and the Company and its representatives have to take steps as set out in guidelines issued by SEBI to discourage and identify any money laundering or terrorist financing activities.

While it is recognized that a “one- size- fits-all” approach may not be appropriate for the securities industry in India, each registered intermediary should consider the specific nature of its business, organizational structure, type of customers and transactions, etc. when implementing the suggested measures and procedures to ensure that they are effectively applied. The overriding principle is that they should be able to satisfy themselves that the measures taken by them are

adequate, appropriate and follow the spirit of the measures and the requirements as enshrined in the Prevention of Money Laundering Act, 2002. (PMLA)

The company thereafter adopted principles in implementing the various provisions of the Act and the Rules framed there under so as to maintain compliance of the same in Toto. In order to compile the various activities of the company in line with the provisions of this Act, this policy has now been framed. The policy will be amended from time to time in line with the amendments made in the Act and the Rules framed there under and any other notifications and/or guidelines issued by SEBI.

As per provisions of Act, the Company has to maintain a record of all the transactions, which include:

1. All cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.
2. All series of cash transactions integrally connected to each other, which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
3. All suspicious transactions whether or not made in cash and including, inter-alia, credits, or debits into/from any non-monetary account such as demat account, security account maintained by the registered intermediary.

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

3. Obligation to establish policies and procedures

In light of the above, the company and its representatives have to adopt appropriate policies and procedures for the prevention of money laundering and terrorist financing and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. The Board of the company or any other person or a group of persons as may be asked by the Board will:

- a.** ensure that the content of these Guidelines are understood by all staff members;
- b.** regularly review the policies and procedures on prevention of money laundering and terrorist financing to ensure their effectiveness.
- c.** adopt customer acceptance policies and procedures which are sensitive to the risk of money laundering and terrorist financing;
- d.** undertake customer due diligence (“CDD”) measures to an extent that is sensitive to the risk of money laundering and terrorist financing depending on the type of customer, business relationship or transaction; and
- e.** develop staff members’ awareness and vigilance to guard against money laundering and terrorist financing.

PART B: DETAILED POLICY

1. CUSTOMER DUE DILIGENCE PROCESS

A. Policy for acceptance of clients:

The company's main business is Stock broking and governed by the byelaws, rules, and regulations of the SEBI and the recognized Stock Exchanges. The authorities have specified minimum documentation and verification required before opening an account of a client, which is quite extensive. Apart from that the authorities have made rules and regulations and issued circulars from time to time for proper governance of securities market. Compliance of these rules and regulations ensures that all the transactions have proper audit trail as well as client verification. However, all representatives of the company must ensure following while opening an account of a client and doing transaction with them:

Individual Clients

- a. Generally a client is introduced by our existing employees, clients. A proper verification of address, occupation and credential must be carried out by the Compliance officer.
- b. Know your client (KYC) / Client Registration form must be duly filled up and the information regarding residence/correspondence address, bank details, depository details must be verified with the original documents and if required from any other authentic sources.
- c. The Client must provide a recent photograph and necessary identity proof as specified in the KYC form.

Non Individual Clients

- a. The company will open a trading account for Non-individual entity, if the partner/ director/ karta of Partnership firm/ company/ HUF of such entity is our client and he/she has been properly verified as mentioned for individual clients.
- b. Copies of PAN card, financials for last 2 years or from inception of such entity if such entity is not older than 2 years, must be obtained strictly.
- c. Shareholding pattern and list of controlling persons must be obtained
- d. Photograph of each partner/Whole time Director/Karta/controlling person and details must be obtained as specified by the SEBI and Stock Exchanges.

Necessary checks is to be exercised before opening an account so as to ensure that the identity of the client does not match with person having criminal background or is not banned in any other manner.

B. Risk-based Approach

Each Registration form and Agreement must be reviewed by a senior manager before allowing any client to transact with us and a client may be graded with High risk. All the clients of special category as mentioned below are expected to be High risk as per the suggested guidelines:

- 1) Non resident clients
- 2) High net worth clients
- 3) Trust, Charities, NGOs and organizations receiving donations
- 4) Companies having close family shareholdings or beneficial ownership
- 5) Politically exposed persons (PEP) of foreign origin
- 6) 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)
- 7) Companies offering foreign exchange offerings
- 8) 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 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 agency International Corruption Perception .

9) Non face to face clients .

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

However the company has divided its clients broadly into the following categories, keeping in the view the spirit of the suggested guidelines provided for Anti Money Laundering and existing client database as per the following table

Categories	Clients included
Highest Risk	(a) HNI Retail Clients (b) NRI Clients
High Risk	(a) Retail Client
Medium Risk	(a) Employees
Low Risk	(a) PCG Clients (b) In House Category of Clients (c) Institutional Clients

All above classifications are based on risk perceived, experience and expertise of the senior management and risk assessment personnel of the company.

The company envisages the risk to systematic and structure the input, processing and proper analyzing of the relevant data in pursuance to PMLA recommendation through appropriate soft wares. The company strongly believes that the process is dynamic and needs constant review for improvement and modifications to achieve the goal both in front end and back end software.

An updated list of individuals and entities which are subject to various sanction measures such as freezing of accounts ,denial of financial services as can be accessed from website United States <http://www.un.org/sc/committees/1267/consolist.shtml>.where should be counter checked before opening of account. Details of accounts bearing resemblance with any of the individual in the list should be immediately reported to FIU.

A requisite questionnaire has to be designed and sent to all existing clients to fetch all relevant data as per the suggested guidelines on money laundering

2. RECORD KEEPING AND RETENTION

The company is maintaining records as per SEBI Act, 1992, Rules and Regulations made thereunder, PML Act, 2005 as well as other relevant legislation, Rules, regulations, Exchange, Bye laws and circulars. Record keeping as well as accounting system has to be improved as and when required. We ensure that sufficient information is available to reconstruct individual transactions.

Special attention be given to track and deal properly with the following transactions:

- Cash transactions of all values
- Possibility of knowing that the beneficial owner of the transactions are other than the client doing the transactions with us. If yes, the magnitude thereof.

Suspicious Transaction Monitoring & Reporting

The company has taken appropriate steps to enable suspicious transactions to be recognised and has appropriate procedures for reporting suspicious transactions. The company has made a list of circumstances, which may be in the nature of suspicious transactions as 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 where client appears not to cooperate
- b. Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
- c. Substantial increases in business without apparent cause

The company has made a policy to notify any suspicion transaction to the Money Laundering Control Officer or any other designated officer within the company. The notification is done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. It is ensured that there is continuity in dealing with the client in normal course until told otherwise and the client should 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.

Regular monitoring of transaction is vital for ensuring effectiveness of Anti-money Laundering procedure. Those transactions which appear to have no economic purpose should be paid special attention and notice.

In some cases where transactions are abandoned/aborted by customer on being asked to give some details or to provide relevant documents ,in those cases such reports to be reported as STR irrespective of the amount of transactions.

EDUCATING OF EMPLOYEES IN HEAD OFFICE & BRANCHES AND INVESTORS EDUCATION

The Company will undertake programmes to educate employees at head office and branch to changes brought about in the Money Laundering Act ,2005.The company will forward to its employees copy of the same. The signature of employees should be obtained on the intimation letter. They should sign the same on being conversant with the relevant laws on anti money laundering.

Where customers raise queries regarding the requirement of information which is of personal nature, then in such cases we need to educate them with the provisions of antimoney laundering and other relevant acts ,so that they can assess the importance of the same.

