

CENTRUM BROKING LIMITED

ANTI MONEY LAUNDERING POLICY (Extract of VERSION 7.0)

1. Background:

Pursuant to the recommendations made by the Financial Action Task Force (formed for combating money laundering), Government of India had notified the Prevention of Money Laundering Act in 2002. SEBI had issued the Guidelines on Anti Money Laundering Standards vide their notification No. ISD/CIR/RR/AML/1/06 dated 18th January 2006 and vide letter No. ISD/CIR/RR/AML/2/06 dated 20th March 2006 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI. The objective of the SEBI guidelines is that a registered intermediary and any of its representatives should implement, identify and discourage any money laundering or terrorist financing activities. The overriding principle is that the registered intermediary should be able to satisfy themselves that the measures taken by them are adequate, appropriate and follow the spirit of these measures and the requirements as enshrined in the Prevention of Money Laundering Act, 2002 (PMLA) and the Government of India Notification dated 1 July, 2005.

Prevention of Money Laundering Act, 2002

Prevention of Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July 1, 2005. The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including stock brokers and sub-brokers) to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU) - INDIA

Financial Intelligence Unit (FIU) – INDIA

The Government of India set up Financial Intelligence Unit-India (FIU-IND) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister. FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

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

NSE and BSE vide their circular dated January 25, 2006 had suggested the criteria on which suspicious secondary market transactions can be identified by a SEBI registered broker. CDSL vide their circular dated November 13, 2007 had notified criteria for generating alerts.

2. Responsibility of Centrum Broking Limited (CBL)

By virtue of being a SEBI Registered Stock broker of BSE and NSE, Depository Participant of CDSL and Portfolio Manager, it is mandatory on the part of CBL to have appropriate Anti Money Laundering policy

3. What is Money Laundering?

Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/origins.

This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

4. Objectives of the Policy:

CBL is committed to examining its Anti - Money Laundering strategies, goals and objectives on an on-going basis and maintaining an effective Anti - Money Laundering program for its business that reflects the best practices for a diversified, retail financial services firm.

CBL AML Policy is designed to ensure that it complies with the requirements and obligations set out in India legislation, regulations, rules and Industry Guidance for the financial services sector, including the need to have adequate systems and controls in place to mitigate the risk of the firm being used to facilitate financial crime. The AML Policy sets out the minimum standards which must be complied with by CBL and includes:

- The appointment of a Money Laundering Reporting Officer (MLRO) of sufficient seniority, who have responsibility for oversight of compliance with relevant legislation, regulations, rules and industry guidance;
- Establishing and maintaining a Risk Based Approach (RBA) towards assessing and managing the money laundering and terrorist financing risks to the Group;
- Establishing and maintaining risk-based customer due diligence, identification, verification and know your customer (KYC) procedures, including enhanced due diligence for those customers presenting higher risk, such as Politically Exposed Persons (PEPs), Non Resident Indians (NRIs);
- Establishing and maintaining risk based systems and procedures to monitor ongoing customer activity;
- Procedures for reporting suspicious activity internally and to the relevant law enforcement authorities as appropriate;
- The maintenance of appropriate records for the minimum prescribed periods;
- Training and awareness for all relevant employees;
- Customer acceptance policies and procedures, which are sensitive to the risk of money laundering (ML) and terrorist financing (TF) are adopted.
- Customer Due diligence (CDD), to the extent that is sensitive to the risk of money laundering and terrorist financing depending on the type of customer, business relationship or transactions is undertaken
- Staff Members' awareness and vigilance to guard against money laundering and terrorist financing is developed.
- To have system in place for identifying ,monitoring and reporting suspected Money Laundering or Terrorist Financing; and
- The provision of appropriate management information and reporting to senior management of CBL's compliance with the requirements;

In compliance with these obligations Centrum Broking Limited(CBL) had framed appropriate policies and procedures for prevention of Money laundering had released five versions and this sixth version is released after reviewing the AML policy for its effectiveness , adequacy and include certain aspects which were missed inadvertently in previous versions.

5. (a) Principal Officer

A senior executive of CBL is appointed as Principal Officer for proper discharge of legal obligations and report suspicious transactions to authorities. He would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing active role in the identification and assessment of potentially suspicious transactions and shall report senior management i.e. CEO/MD and Board of Directors.

5. (b) Designated Director

A Director is appointed as Designated Director (as per requirements under the PML Act / Rules) for the purpose of PMLA by way of Resolution by Board of Directors and the appointment is intimated to FIU and regulatory authorities, as required. Changes in the Designated Director are all intimated to FIU and regulatory authorities, as required. The Designated Director is responsible for overall compliance of the obligations imposed under the PML Act and the Rules. The Principal Officer will keep the Designated Director informed of all measures taken for anti-money laundering and all suspicious transactions reported to FIU. Designated Director will bring to the notice of the other directors / Board of Directors all important matters as may be deemed fit.

5. (c) Money Laundering Reporting Officer (MLRO)

Sufficiently senior employee from operations / control function is appointed as Money Laundering Reporting Officer (MLRO) by the Designated Director. All suspicious transactions or accounts are reported by the MLRO to the Principal Officer for filing of STRs to FIU – India, who shall then reassess such cases if required and file STRs.

6. Procedures:

Procedures shall interlay include three specific parameters for Client Due Diligence Process (CDD) which comprises:

- a. Policy for acceptance of Clients
- b. Procedure of identifying clients
- c. Transactions monitoring and reporting suspicious transactions

CDD measures involve the following:

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. 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, and includes a person who exercises ultimate effective control over a legal person or arrangement. *(SEBI circular in force dated January 24, 2013 has prescribed that the intermediary (CBL) should identify the Beneficial person/natural person)*

CBL should be guided by SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012 and such amendments thereto from time to time.

- Verify the customer's identity through various means as per Circular.
- This would include obtaining Aadhar copy at the time of account opening or at such time as deemed fit and Aadhar information may also be used to authenticate the demographic details of the client.
- Conduct ongoing due diligence and scrutiny of the account/client to ensure risk profile of the clients. Every year the financial statements to be taken on record for all clients.

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

In-person verification and verification of document copies of clients / prospective clients against originals are to be done and reliance on third parties / external entities, where necessary, in accordance with SEBI / Exchange / Regulatory guidelines in this regard as may be amended from time to time. *{At this point in time, in case of stock brokers, their sub-brokers or Authorized Persons i.e. APs (appointed by the stock-brokers after getting approval from concerned stock exchanges) can perform In-Person Verification – as per SEBI Circular dated December 23, 2011}.*

6.a. Policy for acceptance of Clients

I. For New Clients

- Each client should be met in person, before accepting the KYC. The client should be met at the address given in the KYC. This will ensure that the address is also verified. Verify the PAN details on the Income Tax website.
- All documentary proofs given by the client should be verified with original.
- Documents like latest Income Tax returns, annual accounts, etc. should be obtained for ascertaining the financial status. If required, obtain additional information/document from the client to ascertain his background and financial status.
- Obtain complete information about the client and ensure that the KYC documents are properly filled up, signed and dated.
- Ensure that the details mentioned in the KYC matches with the documentary proofs provided and with the general verification done by us.
- Accounts are opened only on the basis of required information provided by the client.
- As far as possible, a prospective client can be accepted only if introduced by CBL's existing client. However, in case of walk-in client, extra steps should be taken to ascertain the financial and general background of the client.
- CBL should not open any accounts in fictitious/benami/anonymous basis

II. Existing clients

- Keep updating the financial status of the client by obtaining the latest Income Tax Return, Net worth Certificate, Annual Accounts or other prescribed documents.
- Update the details of the client like address, contact number, demat details, bank details etc. and keep the Account Opening Team at HO informed of the same.
- Verification of client criminal background as per the CBL policy .
- Scrutinize minutely the records / documents pertaining to clients of special category as defined by the CBL and regulatory authority.
- Review the above details ongoing basis to ensure that the transactions being conducted are consistent with our knowledge of customers, its business and risk profile, taking into account, where necessary, the customer's source of funds.

II. RISK PROFILING OF THE CLIENT

- (i) It is generally recognized that certain customers may be of a higher or lower risk category depending on circumstances such as the customer's background, type of business relationship or transaction etc. Typically the clients of CBL should be classified as High Risk, Medium Risk, and Low Risk.
- (ii) The Risk Rating shall also take into account any specific information that is circulated by any country, by the Government of India and SEBI from time to time.
- (iii) A Risk Rating / Review of Rating exercise shall be carried out atleast once a year. Risk Rating is done on a client level i.e. if across different business lines, client is found to be High Risk in any business line, he is marked as High Risk for all his accounts with Centrum Broking Limited. For eg., if he is found to be High Risk for trading account, he is marked as High Risk for DP account as well.

6b. Procedure of identifying clients:

Objective:

To have a mechanism in place to establish identity of the client as prescribed by regulations to mitigate opening of fictitious / benami accounts.

➤ Client identification procedure:

To follow the Client Identification procedure we follow the following principles:

1. SEBI has prescribed the minimum requirements relating to KYC for certain class of the registered intermediaries from time to time The client should be identified by using reliable sources (as permitted by SEBI, Exchanges, Depositories or other regulators) including documents / information.
2. The information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed in compliance with the Guidelines.
3. Failure by prospective client to provide satisfactory evidence of identity or inconsistencies in the documentation provided by prospective client should be noted and reported to the higher authority within the organization before opening such account.
4. SEBI has prescribed the minimum requirements relating to KYC for certain class of the registered intermediaries from time to time.

For new Clients

Documents which can be relied upon identifying the clients:

Whereas most of the clients are acquired through the personal contacts of relationship manager/dealers, additionally veracity of following documents plays a pivotal in identification of clients:

PAN CARD : It is a mandatory and most reliable document as only one card is issued to an individual and once can independently check its genuineness through IT website.

Other Identity Proofs: Many a times PAN Card carries the old photograph of the client which does not match current facial features of the client or the signature affixed on the same might have changed by the client due to passage of time. In such a scenario other ID proofs like passport, voter id or any other proofs issued by Government or PSU bank may additionally taken and relied upon.

Address Proof: For valid address proof we can rely on Voter's Identity Card, Passport, Bank Statement, Aadhar card, Ration card and latest Electricity/telephone bill in the name of the client.

In case of corporate clients, duly certified copies of following documents can be obtained

- Copy of the Registration/Incorporation Certificate
- Copy of the Memorandum & Articles of the Association
- Copy of the PAN card and the Director Index No. (DIN)
- Copy of the latest audited Annual Statements of the corporate client
- Latest Net worth Certificate
- Latest Income Tax return filed
- Board Resolution for appointment of the Authorized Person who will operate the account.
- Proof of address and identity of Authorized Person

In case of partnership firm one certified copy of the following must be obtained:

- Registration certificate
- Partnership Deed
- PAN card of partners
- Authorization letter for the person authorized to open and operate the account
- Proof of identity and address of the authorized person.
- Annual statement/returns of the partnership firm

In case of a Trust, one certified copy of the following must be obtained:

- Registration certificate
- Trust Deed
- PAN card
- Authorization letter for the entity authorized to act on their behalf
- Officially valid documents like PAN card, voters ID, passport, etc., of person(s) authorized to transact on behalf of the Trust.

In case of unincorporated association or a body of individuals, one certified copy of the following must be obtained:

- Resolution of the managing body of such association or body of individuals
- PoA in favour of person authorized to transact
- Officially valid documents like PAN card, voters ID, passport, etc of the person(s) authorized to transact
- Any document required by CBL to establish the legal existence of such an association or body of individuals.

In cases of an NRI account – Repatriable/non-repatriable, the following documents are required:

- Copy of the PIS permission issued by the bank
- Copy of the passport
- Copy of PAN card
- Proof of overseas address and Indian address
- Copy of the bank statement
- Copy of the demat statement
- If the account is handled through a mandate holder, copy of the valid POA/mandate

Procedure for identifying politically Exposed Persons (PEP)

- 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.
- Hence besides obtaining declaration from the client on the KYC form about his PEP status where ever possible the concerned RMs/Branch Heads or person responsible for acquiring clients should independently check the antecedents of the clients and verify whether they fall into the category of PEP as per the definition given in Para (a).
- In case of the clients who are PEP or subsequently found to be PEP or become PEP, the concerned RMs/Branch Heads or any other person should obtain the approval of CEO or Business Head for continuing the business relationship with such client.

Additional checks at the time of account opening / account modifications:

1. In case of accounts of partnership firms, account opening team shall check the Partnership Deed of the entity to ensure no HUF is a partner in the firm. In case an HUF is a partner in the firm, the account shall not be opened.
2. In case of accounts of LLPs, account opening team shall check the Deed of the LLP and the list of partners of the LLP to ensure no HUF is a partner. In case an HUF is a partner in the LLP, the account shall not be opened. (Ref. MCA Circular dated 29.07.2013)

For all Existing clients

On an on-going basis, the branches should ensure that the details given in the KYC, by the client, matches with the current details of the client. If required, we can seek additional documents/information from the client to verify the financial/general status of the client.

In cases where:

- There is any material negative change in the financial details of the client from what is given in the KYC.
- If the client is not contactable/traceable or contracts notes/ communications sent are received back undelivered.
- In case the client is prohibited by any regulatory authority.
- The client refuses to provide additional information/document asked for.
- There is a material change in the mandate holder profile/details
- Branches should immediately bring the same to the notice of the Business Head. The Business Head will, in turn, discuss the same with the Principal Officer to decide on the necessary course of action, including reporting to FIU, New Delhi.

6c. Transactions monitoring and reporting suspicious transactions

CBL, ongoing basis, should monitor the transactions executed by the client in order to ascertain whether the same is 'suspicious' which should be reported to FIU, India.

Suspicious Transactions are those which:

- gives rise to reasonable grounds of suspicious that it may involve proceeds of crime
- appears to be made in circumstances of unusual or unjustified complexity
- appears to have no economic rationale or bonafide purpose

Instances of suspicious transactions would be such as (but not limited to) transfer of proceeds to apparently unrelated third parties, Clients whose identity verification seems difficult or Clients that appear not to cooperate, large deals at prices away from market prices, etc.

Reporting of Suspicious Transaction

- All employees of CBL shall monitor transactions on a continuous basis and shall report all Cash Transactions and / or Suspicious Transactions to the MLRO or directly to the Principal Officer.

- It is clarified that employees should be vigilant and report all such attempted transactions to the MLRO or directly to the Principal Officer as a Suspicious Transaction, even if not completed by Clients, irrespective of the amount of the transaction.
- In any case, all employees are required to exercise diligence and proactively alert “Concerns” in compliance with the Centrum Group’s Whistleblower Policy.
- Any suspicious transactions, identified by the MLRO or brought to the notice of the Principal Officer, will be analyzed by the MLRO for FIU reporting, accompanied by reassessment by Principal Officer, where required. If the Principal Officer decides that the transactions need to be reported to FIU he will report the transaction to FIU. If the Principal Officer decides not that the transactions is not suspicious enough to be reported to FIU, he will record the reasons for the same and document it.

7. Maintenance of Records

- All records evidencing the identity of its clients and beneficial owners, all KYC related documents as well as all transaction related information, account files and business correspondence shall be maintained, in full, and preserved for a period of 5 (five) years after the business relationship of Centrum with the client has ended / terminated or the account has been closed, whichever is later.

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

CBL shall maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, for a period of 5 (five) years from the date of the transactions between the client and CBL or upto end of investigation / inquiry by FIU/ any statutory / government authority (in cases where such authority has intimated CBL that such investigation is underway), whichever is later.

9. Designated Principal Officer

In case any further information /clarification is required in this regard, the ‘Principal Officer ‘may be contacted.

Assistance

Any assistance required in understanding this policy and in implementation of this Policy, please contact the Principal Officer on email ID compliance@centrum.co.in

10. List of Designated Individuals/Entities

- a) 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 http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml (Al-Qaida Sanctions List) and <http://www.un.org/sc/committees/1988/list.shtml> (Taliban Sanctions List). Updated list should be obtained from the web-links from time to time and maintained on the records of Centrum. Also list should be updated based on circulars received from Exchanges, Depositories and SEBI from time to time.
- b) Pre-account opening check: Before opening any new account, it should be ensured by the Account Opening team that the name of the proposed client does not appear on any of these lists.
- c) In case of resemblance of any account-holder with any of the persons in the Sanctions List, the same shall be intimated to the Principal Officer (FIU) and Compliance Officer (for the exchanges) . The Principal Officer shall, in turn, intimate the same to FIU along with filing of STR for all transactions in such account and the Compliance Officer (Exchanges / SEBI) shall intimate the same to SEBI and Stock Exchanges. Also details of such customer, alongwith 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 competent authority (at this time, it is to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and telephone on 011- 23092736 and as may be modified from time to time). The particulars apart from being sent by post should necessarily be conveyed through e-mail at jis@nic.in or such other e-mail id as may be modified and intimated by regulatory authorities from time to time.

- d) Centrum shall send the particulars of the communication mentioned in (c) above to through post/fax and through e-mail (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 as well as the UAPA nodal officer of the state/UT where the account is held. (List of UAPA nodal officers is available at http://megpolice.gov.in/notification/list_Nodal-officer_UAPA.pdf or such other website or weblink as may be updated from time to time)
- e) Risk rating of such account-holder should immediately be marked as 'High' and such accounts should be subject to increased surveillance / risk monitoring.

11. Freezing of funds, financial assets or economic resources or related services

In case of instruction from UAPA Nodal officers or SEBI or Stock Exchanges / Depositories or any government or regulatory authority for freezing of funds, financial assets or services provided to any client, then account shall be frozen with intimation to CDSL and trading account shall be suspended with intimation to Stock Exchanges and SEBI. If such freezing of assets and services is believed to be or instructed because of suspicion pertaining to money laundering, terrorist financing, commission of or participation in commission of terrorist acts or such other criminal activities, STR pertaining to all transactions in the account shall be filed with FIU.

Any unfreezing of such accounts, assets or services shall be done only on receipt of instructions from appropriate regulatory and / or government authority.

12. Review

This policy will be reviewed annually by the Principal Officer Designated Director for FIU (PMLA) and Designated Directors for the Stock Exchange memberships. Views of concerned Business Heads and chief of Internal Audit, if any, may be taken into account where the management finds it necessary. Revised versions of the policy shall be reviewed, approved and adopted by the Board of Directors of CBL

Footnotes:

¹ Added in pursuant to the circular no. CIR/MIRSD/2/2013 dated January 24, 2013 issued by SEBI

² Added in pursuant to the circular no. CIR/MIRSD/1/2014 dated March 12, 2014 issued by SEBI