

Know Your Customer, Anti-Money Laundering & Surveillance Policy

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Prepared by: Mr. Ajay Shah

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PREFACE

This is the Know Your Customer (KYC) and Anti-Money Laundering (AML) Policy (the Policy) of Kantilal Chhaganlal Securities Private Limited and has been prepared in accordance with the Prevention of Money Laundering Act, 2002 (PMLA Act). This Policy also takes into account the provisions of the PMLA Act and other Rules laid down by SEBI, and FIU.

As per PMLA, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, asset management company, depository participant, merchant banker, underwriter, portfolio manager, investment advisor and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992) shall have to adhere to the client account opening procedures, maintain a record and report all such transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA. For the purpose of PMLA, transactions 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, such series of transactions 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.

For the purpose of suspicious transactions reporting, apart from „transactions integrally connected“, „transactions remotely connected or related“ need to be considered.

“Suspicious transactions” means a transaction whether or not made in cash which to a person acting in good faith –

1. gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
2. appears to be made in circumstances of unusual or unjustified complexity or
3. appears to have no economic rationale or bonafide purpose.

This Policy only supplements the existing SEBI / FIU guidelines relating to KYC/AML and any subsequent guidelines from the date of the Policy on KYC/AML will be implemented immediately, with subsequent ratification by the Board. Extant regulations will at any point in time override this Policy.

1. KYC/AML philosophy of KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED

- 1.1 The KYC / AML philosophy of KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED is to prevent KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. The objective of this policy is also to enable KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED to know / understand its customers and their financial dealings better which in turn will help KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED to manage its risks prudently.
- 1.2 It is important that KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED management views “money-laundering prevention” and “knowing your customer” as part of the risk management strategies and not simply as stand-alone requirements that are being imposed by legislation/regulators”.

Hence the objective of the policy is to -

1. To have a proper Customer Due Diligence (CDD) process before registering clients.
2. To monitor/maintain records of all cash transactions of the value of more than Rs.10 lacs.
3. To maintain records of all series of integrally connected cash transactions within one calendar month.
4. To monitor and report suspicious transactions.
5. To discourage and identify money laundering or terrorist financing activities.
6. To take adequate and appropriate measures to follow the spirit of the PMLA.

2. What is Money Laundering?

- 2.1 Money laundering is the criminal practice of putting ill-gotten gains or dirty money through a series of transactions, so that the funds are cleaned to look like proceeds from legal activities. It is driven by criminal activities and conceals the true source, ownership, or use of funds.
- In simple terms money laundering is most often described as the “turning of dirty or black money into clean or white money”. If undertaken successfully, money laundering allows criminals to legitimize "dirty" money by mingling it with "clean" money, ultimately providing a legitimate cover for the source of their income.
- Section 3 of the PMLA Act defines money laundering in following words: “Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering”.

3. **Why “Know Your Customer”?**

- 3.1 One of the best methods of preventing and deterring money laundering is a sound knowledge of a customer's business and pattern of financial transactions. The adoption of procedures by which financial institutions “know their customer” is not only a principle of good business but is also an essential tool to avoid involvement in money laundering.
- 3.2 KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall adopt appropriate KYC procedures and internal controls measures to:
- (i) Determine and document the true identity of the customers who establish relationships, open accounts or conduct significant business transactions and obtain basic background information on customers;
 - (ii) Assess the money laundering risk posed by customers' expected use of Kantilal Chhaganlal Securities Private Limited products and services;
 - (iii) Protect KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED from the risks of doing business with any individual or entity whose identity cannot be determined or who refuses to provide information, or who have provided information that contains significant inconsistencies which cannot be resolved after due investigation.

Clients of special category (CSC)

- i. High net-worth clients, *[high net worth client could be classified as such if at the account opening time or during the course of the trading relationship, it is realized that the client investment or the appetite for investment is very high (equal to or above 10 crores.)]*
- ii. Trust, Charities, NGOs and organizations receiving donations,
- iii. Companies having close family shareholdings or beneficial ownership,
- iv. Politically exposed persons (PEP). Politically exposed persons 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.
- v. Companies offering foreign exchange offerings
- vi. Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, 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 center, tax havens, countries where fraud is highly prevalent,
- vii. Clients with dubious reputation (*define : If a client's reputation during the opening of the*

account or post opening the account is known to be not good, then the same is marked in "client with dubious public reputation" category.) as per public information available etc.

- viii. Non face to face client.
- ix. Non-resident Client.

Identification of Beneficial Ownership

- **For clients other than individuals or trusts:**

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

A. The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

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

- 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.

B. In cases where there exists doubt under clause 4 (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

C. Where no natural person is identified under clauses 4 (a) or 4 (b) above, the identity of the relevant natural person who holds the position of senior managing official.

- **For client which is a trust:**

Where the client is a *trust*, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 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.

- **Exemption in case of listed companies:**

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

- **Applicability for foreign investors:**

Intermediaries dealing with foreign investors" viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBI circular SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19, 2022 and amendments thereto. If any,, for the purpose of identification of beneficial ownership of the client.

4. Customer Acceptance Policy

4.1 No account shall be opened in anonymous or fictitious / benami name(s). PAN shall be mandatory for each account. Each client shall have one account only.

4.2 The parameters of risk perception in terms of the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status etc shall be captured at the account opening stage to enable categorization of customers into low, medium and high risk. KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED has indicative categories of customers which would fall into low, medium and high risk categories (refer **Annexure 1**). The list shall be updated with approvals from Compliance, and Business groups.

For the purpose of risk categorization, individuals/entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, shall be categorized as low risk. Illustrative examples of low risk customers are as follows:

- Salaried employees whose salary structures are well defined;
- Government Departments and Government owned companies;
- Regulators and statutory bodies; etc.

Customers that are likely to pose a higher than average risk to KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc. KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall apply

Customer Due Diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear.

- 4.3 While the profile of the customer is captured in the account opening form, an Customer Due Diligence (CDD) sheet is also prepared at the account opening stage for all accounts (individual / non individual). The CDD sheet is an addendum to the account opening form and captures in further detail the profile of the customer, especially the expected transaction pattern of the account. The CDD sheet is prepared by the sales team based on their discussions and understanding of the customer, but is not required to be signed off by the customer.

CDD shall include the following measures -

- Before registering client, obtain Antecedent information. Verify independently information submitted by client but not limited to his identity, registered office address, correspondence address, contact details, occupation, Promoters/Directors, source of income, experience in securities market, PAN no, SEBI registration Number, (if any), MAPIN Number (if any) etc, by verification or original documents or such related processes. In case enhanced CDD is required, generally Retail client have a relationship at the local level with the branch, and in such cases we shall check the local references for client identity and other credit details including those mentioned above or we may refer any other reliable, independent source documents, data or information. This should be approved. Account Opening Team shall open the Client Account after verifying information collected registration form along with other supporting documents. All new accounts shall be reviewed against negative lists issued by SEBI, Exchanges and other lists such as OFAC, UN sanctions lists etc.
- In person verification is to be carried out as per the requirements of the regulators. Further check would be done for actual beneficial ownership and control of the particular account. We need to obtain the details with respect to Shareholders, promoters from the non individual clients and wherever possible it has to be verified independently. Also verify the sources of funds for funding the transaction. We shall also take care at the time of settlement regarding nature of transaction, movement/source of transaction, etc. periodically to ask for clients financial details to determine the genuineness of transaction. Special care would be taken in case of non individual accounts such as corporate, partnership firms etc, where the ownership structure is opaque. In all such cases the accounts would be activated only post approval from the compliance department.
- For this purpose, “**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.

- **Ongoing Client Due Diligence and Scrutiny –** We shall conduct periodic due diligence and scrutiny of client's transaction and accounts atleast once in a year to ensure that transactions are being conducted in knowledge, to find out the risk profile, source of funds, etc. and ongoing due diligence and scrutiny needs to be conducted 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 the Organization's knowledge of the client, its business and risk profile, taking into account, where necessary, the customer's source of funds.
- For all clients applying for trading rights in the futures and options segments, further details as regards their proof of income and source of funds would be required.
- Client Due Diligence (CDD) to be stringent for all clients, especially for clients whose transaction seems suspicious. CDD process for such clients will include obtaining documentary evidence to evaluate his/her financial status. Documents will include bank statement, ITR etc.

4.4 Necessary checks shall be conducted before opening a new account so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc. For conducting such reviews, while KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall check the lists provided by SEBI/Exchanges/internally maintained lists, it shall rely primarily on the United Nations list which is available at <https://www.un.org/securitycouncil/sanctions/1267/press-releases>. The compliance team shall be responsible to ensure that the said lists are updated on a daily basis through various sources.

Process wherein the name of the client (new or existing) matches with the negative list -

Type of client	What matches with negative list	What is to be done
New	PAN	Reject account
	Name	1. Check the address or any other detail in the SEBI order. 2. If anything is closely resembling the client in question - Escalate case to compliance officer before opening 3. Compliance team to speak to the client over a recorded line. 4. Take a declaration from the client that he is not the same person. 5. If the client is not cooperating - Not 6. to open the account. If the client provides the documents, onboard the client and place in high risk.
Existing	PAN	Proceed for closure
	Name / Address / Other details	1. Escalate to compliance officer 2. Review past transactions. 3. If the past transactions have shown any similarity to SEBI order or any alert - Close the account 4. If not - ask the client to provide declaration he is not the same person. 5. If the client is not cooperating - Not to open the account 6. If the client provides the documents, onboard the client and place in high risk

4.5 KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall not open an account or shall close an existing account where KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED is unable to apply appropriate customer due diligence measures i.e. KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED is unable to verify the identity and / or obtain documents

required as per the risk categorization due to non-cooperation of the customer or non-reliability of the data / information furnished to KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED. .

- 4.6 KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall apply higher levels of due diligence when an account is operated by a mandate holder or where an account is opened by an intermediary in fiduciary capacity. KYC documents will be taken for both the mandate holder/intermediary in fiduciary capacity and the account holder.

5. Reliance of third party for carrying out client due diligence (CDD):

KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED may rely on a third party (Sub-Brokers and Authorised Persons) to apply CDD measures, provided that it's Sub-brokers and Authorised Persons consents. Since KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED remains liable for any failure in the application of CDD measures it should be satisfied that it's Sub-brokers and Authorised Persons is:

- i. Of reputable character, integrity and reliability;
- ii. Regulated and supervised and has measures/procedures in place to comply with CDD requirements in line with these guidelines;
- iii. Willing and able to provide copies of identification data and other relevant documentation relating to the CDD requirement without delay upon request in establishing a business relationship.

Where KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED is unable to acquire copies of identification and other relevant documentation relating to the CDD requirements without delay, upon request from its Sub-brokers and Authorised Persons, KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED is responsible for performing the CDD processes.

6. Customer Identification Procedure

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

6.2 KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall have in place a comprehensive Customer Identification Procedure which details the various documents that KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED can take as Identity, Address proof for various types of customers (refer **Annexure 2**). This Customer Identification Procedure document shall be updated with approvals from Compliance, and Business

groups, with subsequent ratification by the Board of Directors.

However, merely obtaining identification documents for identity, address and signature proof from the customer does not mean that the KYC is complete. KYC means actually knowing the customer, nature of his business and the purposes for which KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED account will be used.

KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED may ask for periodical updation of customer identification and other data after the account is opened.

7. Monitoring of Transactions

- 7.1 Ongoing monitoring is an essential element of effective KYC procedures. KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity.
- 7.2 KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall have in place a comprehensive transaction monitoring process from a KYC/AML perspective. KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall put in place strong transaction alerts which will provide proactive signals on suspicious transactions and possible money laundering. An indicative list of such alerts is provided with this policy. (Annexure 3) KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED Compliance team shall endeavour to update the list based on current understanding of the market scenario and trading patterns followed by clients. In addition to the alerts from internal sources, the Compliance team shall also monitor the alerts provided by the exchanges per their circular NSE/INVG/22908 dated March 7, 2013. Details relating to the compliance with respect to the said circular are elaborated in Annexure 3.
- 7.3 On the basis of criticality of the breach, observation of account behaviour, repetitive breaches, the Compliance team shall send a query to the concerned Business. Responses would be expected within 7 working days. If the alerts still persist or the Compliance team is not satisfied with the responses, then the AML query team shall send the query to the Compliance Head for resolution.
- 7.4 KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall put in place a system of periodical review of risk categorization of accounts. Such review of risk categorisation of customers shall be carried out at a periodicity of not less than once in a year. KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall be undertaking a review of all accounts existing as on 31st March every year, but which were opened atleast twelve months prior to the review date.

The review shall be done on the following basis:

Category of Accounts	Current Risk Categorization
Non Resident Savings Accounts	High
Non Individual accounts - 1. Trusts 2. CIS 3. Partnership firms 4. Companies where the shareholding structure is complex	High
Non individual accounts - 1. HUF 2. Companies other than above	High
Individual accounts - Housewives Clients operating in F&O segment	High
Others	High

In case of any account wherein alerts are observed on a regular basis, the risk categorization would be increased based on the consensus of the Compliance team and the compliance officer. Such a review would be done at least once every month.

Special attention is required for all complex, unusually large transactions / patterns which appear to have no economic purpose. The background including all documents, office records and clarifications pertaining to such transactions and their purpose will be-examined carefully and findings will be recorded. Such findings, and related documents would be made available to auditors and also to SEBI/StockExchanges/FIU-IND/Other relevant authorities, during audit, inspection or as and when required. These records to be preserved for eight years as required under PMLA 2002

It would be ensured that record of transaction is preserved and maintained in terms of section 12 of the PMLA 2002 and that transaction of suspicious nature or any other transaction notified under section 12 of the act is reported to the appropriate law authority.

8. Risk Management

- 8.1 The overall responsibility/implementation and adherence of this KYC/AML policy shall lie with the Compliance & Surveillance Unit of KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED.
- 8.2 The Concurrent / Internal Auditors shall specifically check and verify the application of KYC/AML procedures and comment on the lapses observed in this regard. The reports and compliance in this regard shall also put up before the Audit & Compliance Committee of the Board atleast at Six months intervals.

9. Combating Financing of Terrorism (CFT)

- 9.1 KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall have a heightened awareness in the system to check for transactions which give rise to a reasonable ground of suspicion that these may involve financing of the activities relating to terrorism.

10. Maintenance of records of transactions / Information to be preserved / Maintenance and preservation of records / Cash and Suspicious transactions reporting to Financial Intelligence Unit-India (FIU-IND)

- 10.1 Government of India, Ministry of Finance, Department of Revenue, vide its notification dated July 1, 2005 in the Gazette of India, has notified the Rules under the PMLA Act (refer **Annexure 4**). In terms of the Rules (refer **Annexure 5**), the provisions of PMLA Act, 2002 came into effect from July 1, 2005. Section 12 of the PMLA, 2002 casts certain obligations on financial institutions in regard to preservation and reporting of customer account information.

10.2 Maintenance of records of transactions

KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall have a system of maintaining proper record of all transactions including records of all transactions prescribed under Rule 3 of the Rules, as mentioned below:

- (a) all cash transactions of the value of more than Rupees Ten Lakh or its equivalent in foreign currency;
- (b) all series of cash transactions integrally connected to each other which have been valued below Rupees Ten Lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds Rupees Ten Lakh;
- (ba) all transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency;

- 10.3 Information to be preserved** KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall maintain the following information in respect of transactions referred to in Rule 3 of the Rules including all necessary information specified by the regulator to permit reconstruction of individual transactions in respect of transactions referred to in Rule 3 of the Rules:

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

Record generation, maintenance and retention –

For the purpose of the record keeping provision, we should ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made thereunder, PML Act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

Records to be maintained 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.

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, Organisation should retain the following information for the accounts of their customers in order to maintain a satisfactory audit trail:

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

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

The following document retention terms should be observed:

- a. All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period of eight years (08) from the date of cessation of the transaction.
- b. Records on customer identification (e.g. copies or records of official identification documents like PAN card, passports, identity cards, driving licenses or Voter Identity Card or similar documents), account files and business correspondence should also be kept for the eight years (08) from the date of cessation of the transaction.
- c. Records of the all trading details of the client needs to be stored for eight years
- d. Records shall be maintained in hard & soft copies.

10.4 Reporting to Financial Intelligence Unit-India :

- a. In terms of the PML Rules, we Kantilal Chhaganlal Sec Pvt Ltd, shall report information relating to suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at FIN-NET portal (Website: <http://fiuindia.gov.in>)
- b. Kantilal Chhaganlal Sec. Pvt. Ltd. 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). We have referred Office Memorandum No 26-1/2017/ISMG/FIU-IND dated August 23, 2019 issued by Financial Intelligence Unit - India. & CDSL communiqué CDSL/OPS/DP/POLCY/2019/427 dated August 27,2019 pertain to revised guidelines by FIU-IND regarding Model template for STR (GoS part) and guidelines for filing STRs While detailed instructions for filing all types of reports are given in the instructions part of the related formats, intermediaries

shall adhere to the following:

- The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- 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.
- The Non Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;
- Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND.
- No nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious/ non – profit organization transactions to be reported.
- „NIL“ CTR/NTR is to be filed in case of „banking company“ through FINnet Gateway only.

c Kantilal Chhaganlal Sec. Pvt. Ltd. shall not put any restrictions on operations in the accounts where an STR has been made. We shall be ensured that there is no tipping off to the client at any level i.e. our directors, officers and employees (permanent and temporary)

In situations where the records relate to on-going investigations or transactions, which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.

11. Risk Assessments:

Risk assessment on money laundering is dependent on kind of customers the Company deals with. Typically, risks are increased if the money launderer can hide behind corporate structures such as limited companies, offshore trusts, special purpose vehicles and nominee arrangements. The Risk Assessment is required in order to 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 Resolutions (These can be accessed at the URL

<https://www.un.org/securitycouncil/sanctions/1267/press-releases>

12. Procedure for freezing of funds, financial assets or economic resources or related services :

KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED is aware that Under section 51A of Unlawful Activities (Prevention) Act, 1967, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism.

13. List of Designated Individuals/Entities

Kantilal Chhaganlal Securities accesses the 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) at its website at <https://www.un.org/securitycouncil/sanctions/1267/press-releases>. Kantilal Chhaganlal Securities Private Limited ensures that accounts are not opened in the name of anyone whose name appears in said list and continuously scans 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 are immediately intimated to SEBI and FIU-IND.

14 Investor Education / Employee's Training / Employee's Hiring

14.1 Investor Education

Implementation of KYC procedures requires KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED to demand certain information from Investor which may be of personal nature or which has hitherto never been called for. This sometimes leads to a lot of questioning by the Investor as to the motive and purpose of collecting such information. The Relationship Managers of KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall be trained to explain to the Investor the regulatory requirements and benefits of adhering to the KYC guidelines and seek co-operation of the Investor.

14.2 Employees' Training

KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall have an ongoing employee training programme so that the members of the staff are adequately trained in KYC/AML procedures and fully understand the rationale behind the KYC/AML policies and implement them consistently.

14.3 Hiring of Employees

KYC norms / AML standards / CFT measures have been prescribed to ensure that criminals are not allowed to misuse KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED infrastructure. It should therefore, be necessary that adequate screening mechanism is put in place by KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED as an integral part of their recruitment / hiring process of personnel.

The Human Resources department of KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED confirms the previous employment details given by the employee with prior employer. Further, KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED account of the employee is compulsorily required to be opened with KANTILAL CHHAGANLAL SECURITIES PRIVATE

LIMITED, which is subject to the KYC requirements of KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED.

16. ANNEXURE 1

Risk Categorisation

RISK CATEGORISATION FOR ACCOUNTS IN THE NAME OF INDIVIDUALS

Type	Recommended Risk Categorisation	Risk Perception
Salaried	Low Risk	Source on income is fixed and pattern of entries in the account can be correlated with known sources of income/ expenditure.
Senior citizens	Medium / High Risk	Source of income for trading related purposes not known clearly. May be operated by third parties. Will be considered high risk in case operating in F&O
House-wife	Medium / High Risk	Source of income for trading related purposes not known clearly. May be operated by third parties. Will be considered high risk in case operating in F&O
Self- Employed / Professionals/ Businessmen	Low Risk (except professionals associated with the film industry who will be categorized as "Medium" risk).	Accounts maintained by Chartered Accountants, Architects, Doctors, Lawyers, Sportsmen, etc.
Non Resident Individuals	High Risk	Transactions are regulated through AD and the accounts are opened only after IPV. In case an IPV is not performed and we have relied on documentation submitted by the client, the account would be categorised as High Risk.
Politically Exposed Persons resident outside India	High Risk	Politically exposed persons 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. Branches should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. Front end staff should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. Such accounts should be subjected to enhance monitoring on an ongoing basis. The above norms should also be applied to the accounts of the family members and close relatives of PEPs. Further KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED may maintain a list of additional accounts as "Designated PEP" The accounts of Politically Exposed Persons resident outside India shall be opened only after obtaining the approval of Business Head. Further, in the event of an existing customer or the beneficial owner of an account subsequently becoming PEP, Business head approval would be required to continue the business relationship and such accounts would be subjected to Customer Due Diligence measures as applicable to the customers of PEP category including enhanced monitoring on an ongoing basis. In such events KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall be guided by the information provided by the clients or front end teams.

NOTE: If any of the above accounts are operated by General Power of Attorney (POA) holder/mandate holder (excluding in-house accounts), then the account will be categorized as "High Risk".

RISK CATEGORISATION FOR ACCOUNTS IN THE NAME OF NON-INDIVIDUALS

Risk categorization of Non Individual customers can be done basis:

A. Type of Entity B. Industry; C. Country of Domicile

A. Type of Entity

Type	Recommended Risk Categorisation	Risk Perception
Private Ltd/ Public Ltd Companies	Medium / High Risk	Depending on the clarity of the shareholding structure and the nature of operations, such companies would be Classified. Such classifications shall be decided post the review of the compliance officer
Local Authorities or Public Bodies	Low Risk	They are constituted under Special Acts. Operations are governed by such Acts / Rules
Public Sector Undertakings, Government Departments/ Undertakings, Statutory Corporations	Low Risk	These types of entities are governed by specific Acts, Notifications etc. framed by the Government of India or the State Govt. and are controlled and run by the Govt.
Mutual Funds/ Scheduled Commercial Banks / Insurance Companies / Financial institutions	Low Risk	These entities are strictly regulated by their respective regulators.
Partnership Firm	Medium / High Risk	Depending on the clarity of the shareholding structure and the nature of operations, such entities would be classified. Such classifications shall be decided post the review of the compliance officer
Trusts - Public Charitable Trust	High Risk	Depending on the clarity of the beneficial ownership and the nature of operations, such entities would be classified. Such classifications shall be decided post the review of the compliance officer
Hindu Undivided Family (HUF)	Medium Risk	These are unregistered bodies and the pattern of entries in the account may not be correlated with known sources of income/ expenditure.
Societies / Associations / Clubs	High Risk (except „Housing Societies“ which will be categorized as „Low“ risk)	These are not highly regulated entities and the pattern of entries in the account may not be correlated with known sources of income/ expenditure.
Trusts - Private Trust	High Risk	These may be unregistered trusts and the pattern of entries in the account may not be correlated with known sources of income/ expenditure.
Co-operative Banks	High Risk	These are not highly regulated entities.

B & C. Basis Industry and Country of Domicile

Risk Category	Industry	Country of Domicile
High	The Risk categorisation is dependent on industries which are inherently High Risk or may exhibit high cash intensity, as below: Arms Dealer Money Changer Exchange Houses Gems / Jewellery / Precious metals / Bullion dealers (including sub-dealers) Real Estate Agents Construction Offshore Corporation Art/antique dealers Restaurant/Bar/casino/night club Import/Export agents (traders; goods not used for own manufacturing/retailing) Share & Stock broker Finance Companies (NBFC) Transport Operators Auto dealers (used/ reconditioned vehicles/motorcycles) Scrap metal dealers Liquor distributorship Commodities middlemen Co-operative Banks Car/Boat/Plane dealerships/brokers Multi Level Marketing (MLM) Firms	
Medium	None	NA
Low	All other industries	NA

Notes:

1. Higher Risk Categorization derived from either A or B or C shall be the applicable risk categorization for the account.
2. Lowering of risk classification shall be carried out by the Compliance officer in consultation with the CFO. This shall be done only where adequate justifications can be provided and the same are mentioned along with the account opening form.
3. Such justifications shall be reviewed 3 months from the date of account opening / first transaction in order to ensure that the classification is proper.
4. Based on the above categorization the transaction review process will take place.
5. Additionally, in case an account is opened wherein a POA to operate the account is provided to another person. Such accounts shall be placed under the High Risk category.

ANNEXURE 2**CUSTOMER IDENTIFICATION PROCEDURE FOR ACCOUNT OPENING**

Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. Based on risk perception, type / entity of customer,

segment of customer following features shall be verified with supporting documents obtained from the customers –

INSTRUCTIONS/CHECK LIST FOR FILLING KYC FORM

A. IMPORTANT POINTS:

1. Self-attested copy of PAN card is mandatory for all clients, including Promoters/Partners/Karta/Trustees and whole time directors and persons authorized to deal in securities on behalf of company/firm/others.
2. Copies of all the documents submitted by the applicant should be self-attested and accompanied by originals for verification. In case the original of any document is not produced for verification, then the copies should be properly attested by entities authorized for attesting the documents, as per the below mentioned list.
3. If any proof of identity or address is in a foreign language, then translation into English is required.
4. Name & address of the applicant mentioned on the KYC form, should match with the documentary proof submitted.
5. If correspondence & permanent address are different, then proofs for both have to be submitted.
6. Sole proprietor must make the application in his individual name & capacity.
7. For non-residents and foreign nationals, (allowed to trade subject to RBI and FEMA guidelines), copy of passport/PIO Card/OCI Card and overseas address proof is mandatory.
8. For foreign entities, CIN is optional; and in the absence of DIN no. for the directors, their passport copy should be given.
9. In case of Merchant Navy NRI's, Mariner's declaration or certified copy of CDC (Continuous Discharge Certificate) is to be submitted.
10. For opening an account with Depository participant or Mutual Fund, for a minor, photocopy of the School Leaving Certificate/Mark sheet issued by Higher Secondary Board/Passport of Minor/Birth Certificate must be provided.
11. Politically Exposed Persons (PEP) are defined as individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior Government/judicial/ military officers, senior executives of state owned corporations, important political party officials, etc.

B. Proof of Identity (POI): - List of documents admissible as Proof of Identity:

1. Unique Identification Number (UID) (Aadhaar)/ Passport/ Voter ID card/ Driving license.
2. PAN card with photograph.
3. Identity card/ document with applicant's Photo, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members; and Credit cards/Debit cards issued by Banks.

C. Proof of Address (POA): - List of documents admissible as Proof of Address:

(*Documents having an expiry date should be valid on the date of submission.)

1. Passport/ Voters Identity Card/ Ration Card/ Registered Lease or Sale Agreement of Residence/ Driving License/ Flat Maintenance bill/ Insurance Copy.
2. Utility bills like Telephone Bill (only land line), Electricity bill or Gas bill - Not more than 3 months old.
3. Bank Account Statement/Passbook -- Not more than 3 months old.
4. Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
5. Proof of address issued by any of the following: Bank Managers of Scheduled Commercial Banks/Scheduled Co-Operative Bank/Multinational Foreign Banks/Gazetted Officer/Notary public/Elected representatives to the Legislative Assembly/Parliament/Documents issued by any Govt. or Statutory Authority.
6. Identity card/document with address, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.
7. For FII/sub account, Power of Attorney given by FII/sub-account to the Custodians (which are duly notarized and/or apostilled or consularised) that gives the registered address should be taken.
8. The proof of address in the name of the spouse may be accepted.

D. Exemptions/clarifications to PAN

(*Sufficient documentary evidence in support of such claims is to be collected.)

1. In case of transactions undertaken on behalf of Central Government and/or State Government and by officials appointed by Courts e.g. Official liquidator, Court receiver etc.
2. Investors residing in the state of Sikkim.
3. UN entities/multilateral agencies exempt from paying taxes/filing tax returns in India.
4. SIP of Mutual Funds upto Rs 50, 000/- p.a.
5. In case of institutional clients, namely, FIIs, MFs, VCFs, FVCIs, Scheduled Commercial Banks, Multilateral and Bilateral Development Financial Institutions, State Industrial Development Corporations, Insurance Companies registered with IRDA and Public Financial Institution as defined under section 4A of the Companies Act, 1956, Custodians shall verify the PAN card details with the original PAN card and provide duly certified copies of such verified PAN details to the intermediary.

E. List of people authorized to attest the documents:

1. Notary Public, Gazetted Officer, Manager of a Scheduled Commercial/ Co-operative Bank or Multinational Foreign Banks (Name, Designation & Seal should be affixed on the copy).

2. In case of NRIs, authorized officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy /Consulate General in the country where the client resides are permitted to attest the documents.

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

Types of entity	Documentary requirements
corporate	• Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD (to be submitted every year). • Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations. • Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly. • Copies of the Memorandum and Articles of Association and certificate of incorporation. • Copy of the Board Resolution for investment in securities market. • Authorised signatories list with specimen signatures.
Partnership firm Trust	• Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Certificate of registration (for registered partnership firms only). • Copy of partnership deed. • Authorised signatories list with specimen signatures. • Photograph, POI, POA, PAN of Partners.Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Certificate of registration (for registered trust only). • Copy of Trust deed. • List of trustees certified by managing trustees/CA. • Photograph, POI, POA, PAN of Trustees.
HUF	PAN of HUF. • Deed of declaration of HUF/ List of coparceners. • Bank pass-book/bank statement in the name of HUF. • Photograph, POI, POA, PAN of Karta.
Unincorporated association or a body of Individuals	• Proof of Existence/Constitution document. • Resolution of the managing body & Power of Attorney granted to transact business on its behalf. • Authorized signatories list with specimen signatures.

Banks/Institutional Investors	Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years. • Authorized signatories list with specimen signatures.
Foreign Institutional Investors (FII)	Copy of SEBI registration certificate. • Authorized signatories list with specimen signatures.
Army/ Government Bodies	Self-certification on letterhead. • Authorized signatories list with specimen signatures.
Registered Society	Copy of Registration Certificate under Societies Registration Act. • List of Managing Committee members. • Committee resolution for persons authorized to act as authorised signatories with specimen signatures. • True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.

G Additional documents to be taken in case clients want to open accounts in F&O / Currency segments –

Obtaining financial information from client trading in derivatives segment:

1. KANTILAL CHHAGANLAL SECURITIES PRIVATE LIMITED shall review and update periodically client information in the Client Registration Form and are also advised to ensure that client registration details including financial details of the clients are obtained and updated at regular intervals.
2. The member shall collect documentary evidence of financial details provided by the clients who opt to deal in the derivative segment at the time of registration and at the time of annual updation.

An illustrative list of documents which the members may collect from its clients (towards documentary evidence of financial details) is as below:

- a. Copy of ITR Acknowledgement
- b. Copy of Annual Accounts
- c. Copy of Form 16 in case of salary income
- d. Net worth certificate
- e. Salary Slip
- f. Bank account statement for last 6 months
- g. Copy of demat account Holding statement.
- h. Any other relevant documents substantiating ownership of assets.
- i. Self-declaration along with relevant supporting.

ANNEXURE 3

AN INDICATIVE LIST OF SUSPICIOUS ACTIVITIES

Whether a particular transaction is suspicious or not will depend upon the background details of the client, details of the transactions and other facts and circumstances. Followings are the circumstance, which may be in the nature of suspicious transactions: -

- a. Clients whose identity verification seems difficult or clients appears not to co-operate;
- 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 in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
- d. Substantial increases in business volume without apparent cause;
- e. Unusually large cash deposits made by an individual or business;
- f. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- g. Transfer of investment proceeds to apparently unrelated third parties;
- h. Off market transactions in the DP account of the clients;
- i. High trading activity in the relatively illiquid scrips;
- j. Major trading activity in the Z and TtoT category scrips;

- k. Options trading / trading in illiquid scrips wherein client has booked unusual profit or loss which does not commensurate with the changes in the prices of underlying security in the cash segment.
- l. High exposures taken by client as compared to income levels informed by clients.
- m. Unusual transactions by “High risk status” and businesses undertaken by shell corporations offshore banks /financial services, businesses reported to be in the nature of export-import of small items.

NSE has issued a circular NSE/INVG/22908 dated March 7, 2013. The circular lays down the guidelines to be followed to monitor surveillance related alerts provided by the NSE from time to time. In this regard process to be followed is provided below –

- 1. All exchange alerts shall be reviewed by the surveillance team .
- 2. In case of any suspicious activity observed -
 - a. Client would be required to provide explanation
 - b. We may ask clients to provide KYC related information

- c. Further documentary evidence such as bank and depository account statements may be called for
 - d. Post analyzing the documentation the results for the same would be recorded and in case of adverse remarks the same would be informed to the exchanges within 45 days from the alert date, unless suitable extension is taken from the exchange.
- 3. Quarterly MIS of the number of alerts received, reviewed, pending and escalated would be reported to the Board in the Board Meeting. Reason for pendency beyond the closure date would be explained.
- 4. The Internal Audit team would be responsible for independent oversight of the compliance with these requirements.

4. Records containing Information

The records referred to in rule 3 [shall contain all necessary information specified by the Regulator to permit reconstruction of individual transaction including] the following information:

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

5. Procedure and manner of maintaining information

- (1) Every banking company, financial institution and intermediary, as the case may be, shall maintain information in respect of transactions with its client referred to in rule 3 in accordance with the procedure and manner as may be specified by [its Regulator], as the case may be, from time to time.
- (2) Every banking company, financial institution and intermediary, shall evolve an internal mechanism for maintaining such information in such form and at such intervals as may be specified by [its Regulator], as the case may be, from time to time.
- (3) It shall be the duty of every banking company, financial institution and intermediary, as the case may be, to observe the procedure and the manner of maintaining information as specified by [its Regulator], as the case may be, under sub-rule (1).

6. Retention of Records of Transactions

The records referred to in rule 3 shall be maintained for a period of eight years from the date of transactions between the client and Banking company, financial institution or intermediary, as the case may be.

7. Procedure and manner of furnishing information

- (1) Every banking company, financial institution and intermediary, as the case may be,

shall communicate the name, designation and address of the Principal Officer to the Director.

- (2) The Principal Officer shall furnish the information [referred to in clauses (A), (B), (BA), (C) and (D) of sub-rule (1) of rule 3] to the Director on the basis of information available with Banking company, financial institution and intermediary, as the case may be. A copy of such information shall be retained by the Principal Officer for the purposes of official record.
- (3) Every banking company, financial institution and intermediary may evolve an internal mechanism for furnishing information [referred to in clauses (A), (B), (BA), (C) and (D) of sub-rule (1) of rule 3] in such form and at such intervals as may be directed by [its Regulator].
- (4) It shall be the duty of every banking company, financial institution and intermediary to observe the procedure and the manner of furnishing information as specified by [its Regulator] under sub-rule (3).

8. Furnishing of information to the Director

- (1) The Principal Officer of a banking company, a financial institution and an intermediary, as the case may be, shall furnish the information in respect of transactions referred to in [clauses (A), (B) and (BA)] of sub-rule (1) of rule 3 every month to the Director by the 15th day of the succeeding month.
- (2) The Principal Officer of a banking company, a financial institution and an intermediary, as the case may be, shall furnish the information promptly in writing or by fax or by electronic mail to the Director in respect of transactions referred to in clause (C) of sub-rule (1) of rule 3 not later than seven working days from the date of occurrence of such transaction
- (3) The Principal Officer of a banking company, a financial institution and an intermediary, as the case may be, shall furnish the information promptly in writing or by fax or by electronic mail to the Director in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 not later than seven working days on being satisfied that the transaction is suspicious:"]

[Provided that a banking company, financial institution or intermediary, as the case may be, and its employees shall keep the fact of furnishing information in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 strictly confidential.]

9. Maintenance of the records of the identity of clients

- (1) Every banking company or financial institution or intermediary, as the case may be, shall maintain the records of the identity of its clients.
- (2) The records of the identity of clients shall be maintained in hard and soft copies in a manner as may be specified by [its Regulator] from time to time.
- (3) The records of the identity of clients shall be maintained for a period of eight years from

the date of cessation of the transactions between the client and Banking company or financial institution or intermediary, as the case may be.

REVIEW OF THE POLICY:

The policy shall be reviewed once in two years as and when required by the Management and also implement the change after any change in the Anti-Money Laundering Act 2002 or change in any other act, bye-laws, rules, regulations of SEBI, CBI or in any statutory and regulatory Government department related to or affect to this.