



# ASHIKA STOCK BROKING LIMITED

## ANTI MONEY LAUNDERING POLICY

### 1. BACK GROUND

The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1<sup>st</sup> July, 2005. As per the provision of the Act all the intermediaries registered under section 12 of the SEBI Act, 1992 shall have to maintain a record of all the transactions, the nature and value of which has been prescribed in the rules under PMLA. SEBI has also issued a circular no: ISD/QR/RR/AML/1/06 on Jan 18, 2006 to all intermediaries registered with SEBI under section 12 of the SEBI Act providing guidelines on Anti Money Laundering Standards.

As per the provisions of the Act senior management of the company are fully committed to establish appropriate policies and procedures for prevention of money laundering and terrorist financing and ensuring the effectiveness and compliance with all relevant legal and regulatory requirement. They have formulated a system for identifying, monitoring and reporting to law enforcement authorities suspected transactions occurred for Money laundering and terrorist financing.

We **Ashika Stock Broking Limited**, being registered with SEBI as Stock Broker shall maintain a record of all the transaction, the nature & value of which has been prescribed under the Prevention of Money Laundering Act. Such transactions include:

- All cash transactions of the value more than ` 10 lacs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued ` 10 lacs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
- All suspicious transactions (as defined under Rule 2 of the Prevention of Money Laundering (Maintenance of Records of the Nature and Value of



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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) whether or not made in cash and including inter alia, credits or debits into from any non monetary accounts such as Demat account , security account maintained by us.

- For the purpose of suspicious transactions reporting, apart from transactions integrally connected, transactions remotely connected or related are also to be considered.

## 2. POLICY STATEMENT

**Ashika Stock Broking Limited** is fully committed to combat any effort of laundering money earned through drug trafficking, terrorism and any other means of organized and serious crimes by any individual or entity. Towards this **Ashika Stock Broking Limited** has put in place all such processes and procedures of internal control aimed at preventing and impeding any attempt of money laundering and terrorist financing using the services offered by its group companies. The policies and procedures to Combat Money Laundering cover:

- Communication of group policies relating to prevention of money laundering and terrorist financing to all management and relevant staff that handles account information , securities transactions, money and customers record etc. whether in branches, departments or subsidiaries.
- Customer acceptance policy and customer due diligence measures, including requirements for proper identification.
- Maintenance of records.
- Compliance with relevant statutory and regulatory requirements.
- Co-operation with the relevant law enforcement authorizes, including the timely disclosure of information.
- Role of internal audit or compliance function to ensure compliance with policies, procedures and control including detecting suspected money laundering transactions, evaluating and checking the adequacy of exception



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reports generated on larger or irregular transaction and level of awareness of front line staff of their responsibilities in this regards.

## **(A) Prevention of Money Laundering**

### **1. Offense of money – laundering**

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 untraced property shall be guilty of offence of money laundering.

### **2. Punishment for money – laundering**

Whosoever commits the offence of money laundering shall be punishable as defined under the act and guidelines.

## **(B) Customer Due Diligence**

- Obtaining sufficient information in order to identify persons who beneficially own or control securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the clients, that party will be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.
- Verify the customer's identify using reliable, independent source documents, data or information.
- Identify beneficial ownership and control. i.e. determine which individually ultimately own(s) or control(s) the customer and/or the person on whose behalf a transaction is being conducted.
- Verify the identity of the beneficial owner of the customer and / or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c).
- Conduct ongoing due diligence and scrutiny i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business



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relationship to ensure that the transaction being conducted are consistent with the registered intermediary's knowledge of the customer, its business and risk profile, taking into account, wherever necessary, the customer's source of funds.

## **(C) Policy for acceptance of clients:**

As a measure of customer acceptance policies and procedures that aim to identify the types of customers that are likely to pose a higher than the average risk of money laundering or terrorist financing following safeguards are to be followed while accepting the clients.

- a. No account is opened in a fictitious / benami or an anonymous basis.
- b. Ensure that an account is not opened where the company is unable to apply appropriate client due diligence measures / KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, information provided to the company is suspected to be non genuine, perceived non co operation of the client in providing full and complete information. The company will not continue to do business with such a person and file a suspicious activity report.
- c. The client will be identified by the company be using reliable sources including documents / information. The intermediary will obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- d. Necessary checks and balance to be put into place before opening an account so as to ensure that the identity of the client doesn't match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide.
- e. The person acting for/on behalf of the clients shall have an authority / consent letter. Adequate verification of a person's authority to act on behalf the client will also be carried out by the surveillance department under the direct supervision of the "Designated Director".



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- f. Factors of risk perception (in terms of monitoring suspicious transactions) of the clients are clearly defined having regard to client's location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, turnover etc and the manner of making payment for transaction undertaken.
- g. Documentation requirement and other information to be collected in respect of different classes of clients depending on perceived risk and having regard to the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by SEBI from time to time.
- h. Wherever any employee of Ashika Stock Broking Limited dealing with the client or a prospective client has a reason to believe that the client will be categorized as "high risk" client and therefore needs a higher degree of due diligence, he shall bring the same to the notice of the designated director.
- i. The "Know Your Client's (KYC) policy will clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the company – client relationship, while carrying out transactions for the client or when the company has doubts regarding the veracity or the adequacy of previously obtained client identification data.
- j. In order to further strengthen the KYC norms and identify every participant in the Securities market with their respective PAN thereby ensuring sound audit trail of all the transactions, PAN has been made sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction.
- k. Where the client is a politically exposed person (PEP), we shall take approval from the designated director before establishing any kind of business relationship with such person. Where such a client has been accepted and the client or beneficial owner is subsequently found to be or subsequently become PEP, the approval of the designated director would be obtained to continue the business relationship.



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Additionally reasonable measures to verify the source of funds of the client identified as PEP would be taken.

- l. Failure by prospective client to provide satisfactory evidence of identify will be noted and reported to the higher authority within the company.
- m. As a policy, Ashika Stock Broking Ltd. shall not accept cash from any clients.
- n. Each original document will be seen prior to acceptance of a copy.

## **High Risk Clients:**

It is generally recognized that certain customers may be of a higher or lower risk category depending on circumstances such as the customers' background, type of business relationship or transaction etc. As such the company will apply each of the customers due diligence measures on a risk sensitive basis.

## **Politically Exposed Person ( PEPs):**

We shall proactively put in place appropriate risk management systems to determine whether our existing client or potential client or the beneficial owner of such client is a politically exposed person. Such procedure shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPs. The approval of the designated director is required for establishing business relationship with PEPs.

The surveillance department shall take reasonable measures to verify the source of funds as well as wealth of clients and beneficial owners identified as PEP.

## **Client of Special Category (CSC):**

Such client includes the following:

- a. Non Resident Clients
- b. High Net worth Clients
- c. Trust, Charities, NGOs and Organization receiving donations



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- d. Companies having close family shareholdings or beneficial ownership.
- e. Politically Exposed Persons (PEP) are individually who are or have been entrusted with prominent public junctions in a foreign country e.g. Heads of States or of Governments, Senior Politicians, Senior Government / Judicial / Military Officer, Senior Executives of State owned Corporation, important Politically Party Officials etc. including family members or close relatives of PEP.
- f. Companies offering foreign exchange offerings.
- g. 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 where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax heavens, countries where fraud is highly prevalent.
- h. Non face to face clients.
- i. Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and Company and Principal Officer will exercise independent judgment to ascertain the same.

### **(D) Maintenance of Records:**

1. (a) We shall maintain a record of all transactions, as mentioned in point no (1), whether such transactions comprise of a single transaction or a series of transactions integrally connected to each other, and where such series of transactions takes place within a month.  
  
(b) All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place.  
  
(c) All suspicious transactions whether or not made in cash and by way of:
  - i). deposits and credits, withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained by way of:



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- a. cheques including third party cheques, pay orders, demand drafts, cashiers cheques or any other instrument of payment including electronic receipts or credits and electronic payments or debits, or
  - b. travelers cheques, or
  - c. transfer from one account within the company, including from or to Nostro and Vostro accounts, or
  - d. any other mode in whatsoever name it is referred to
- ii) Credits or debits into or from any non monetary accounts such as demat account, security account in any currency maintained by our company.
  - iii) money transfer or remittances in favor of own clients or non clients from India or abroad and to third party beneficiaries in India or abroad including transactions on its own account in any currency by any of the following:-
    - a) Payment orders, or
    - b) Cashier cheques, or
    - c) Demand drafts, or
    - d) Telegraphic or wire transfers or electronic remittances or transfers or
    - e) Internet transfers, or
    - f) Automated gearing house remittances, or
    - g) Lock box driven transfers or remittances, or
    - h) Remittances for credit or loading to electronic cards, or
    - i) Any other mode of money transfer by whatsoever name it is called
  - iv) Loans and advances including credit or loan substitutes, investments and contingent liability by way of:
    - a) Subscription to debt instruments such as commercial paper, certificate of deposits, preferential shares, debentures, securitized participants, inter bank participation or any other investments in securities or the like in whatever form and name it is referred to or
    - b) Purchase and negotiation of bills, cheques and other instruments or





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- c) Foreign exchange contracts, currency, interest rate and commodity and any other derivatives instrument in whatsoever name it is called or
- d) Letter of credit, standby letters of credit, guarantees, comfort letters, solvency certificates and any other instrument for settlement and / or credit support
- (v) Collection services in any currency by way of collection of bills, cheques, instruments or any other mode of collection in whatsoever name it is referred to
- (d) The company will ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there under, PMLA Act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye Laws and Circulars.
- (e) The company will maintain such records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved if any) so as to provide, if necessary, evidence for prosecution of criminal behavior.
- (f) Should there be any suspected drug related or other laundered money or terrorist property, the competent investigation authorities might need to trace through the audit trail for reconstructing a financial profile of the suspect account, the company will retain the following reconstructing a financial profile of suspect amount, the company will 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



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(g) The company will ensure that all customer and transaction records and information are available on a timely basis to the competent investigating authorities.

Provided that where the Principal Officer has reason to believe that a single transaction integrally connected to each other have been valued below the prescribed value so as to defeat the provisions of this section, the officer shall furnish information in respect of such transactions to the Designated Director for immediate action taking.

## **(E) Procedure and Manner of maintaining information**

1. We shall maintain sound information in respect of transactions in hard and soft copies in accordance with the procedure and manner as specified by the Regulatory Authority.
2. We shall evolve an internal mechanism for maintaining such information in such form and at such intervals as specified by the Securities and Exchange Board of India.
3. We shall observe the procedure and the manner of maintain information as specified by the Regulatory Authority
4. All the documents collected would be verified with the original at the time of acceptance of the copies.
5. We shall communicate the name, designation and address of the Principal Officer & Designated Director to the Director– FIU – IND.
6. Retention of records shall be maintained for a period of five years.

We shall also maintain and preserve the following information in respect of transactions:

- The nature of the transaction.
- The amount of the transaction and the currency in which it denominated.
- The date on which the transaction was conducted.
- The parties to the transaction.
- Furnishing f information to the Director – FIU – IND.

The Designated Director of our company, shall furnish



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- The Cash Transaction Report (CTR) for each month to the Director, FIU – IND by the 15<sup>th</sup> day of the succeeding month.
- The Suspicious Transaction Report (STR) will be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non cash or a series of transaction integrally connected are of suspicious nature.

### **(F) Verifications of the Records of the Identify of the Identity of Clients:**

1. We shall at the time of opening an account or executing any transaction with it, verify and maintain the record of identity and current address or addresses including permanent address or addresses of the client, the nature of business of the client and his financial status.

Provided that where it is not possible to verify the identify of the client at the time of opening an account or executing any transaction, we shall verify the identity of the client within a reasonable time after the account has been opened or the transaction has been executed.

2. Where the client is an individual, he shall submit to us, one certified copy of an officially valid document containing details of his permanent address or addressees and current addresses and such other documents including in respect of the nature of business and financial nature of the client.
3. Where the client is a company, it shall submit, one certified copy of the following documents.
  - a. Certificate of Incorporation
  - b. Memorandum and Article of Association
  - c. A resolution from the Board of Directors and Power of Attorney granted to its managers, officers or employees to transact on its behalf and
  - d. An officially valid documents in respect of managers, officers or employees holding an attorney to transact on its behalf
4. Where the client is a partnership firm, it shall submit one certified copy of the following documents:
  - a. Registration Certificate
  - b. Partnership Deed and



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- c. An officially valid document in respect of the person holding an attorney to transact on its behalf.
5. Where the client is trust, it shall submit one certified copy of the following documents:
  - a. Registration Certificate
  - b. Trust Deed and
  - c. An officially valid document in respect of the person holding an attorney to transact on its behalf
6. Where the client is an Unincorporated Association or Body of Individuals, it shall submit one certified copy of the following documents:
  - a. Resolution of the Managing Body of such association or Body of Individuals
  - b. Power of Attorney granted to him to transact on its behalf
  - c. An officially valid document in respect of the person holding an attorney to transact on its behalf, and
  - d. Such information as may be required by us to collectively establish the legal existence of such an association or body of individuals.

### **(G) Monitoring of transactions**

- a) Regular monitoring of transactions is vital for ensuring effectiveness of the Anti Money Laundering procedures. This is possible only if the intermediary has an undertaking of the normal activity of the client so that they can identify the deviant transactions/activities.
- b) The company will pay special attention to all complex, unusually large transactions/ patterns which appear to have on economic purpose. The company has prescribed internal threshold limit based on the adequacy of the margin for each client accounts and pay special attention to the transactions which exceeds these limits. The background including all documents/office records/memorandums/clarifications and purpose thereof will be examined and recorded in writing. Further such transactions and purpose thereof will be examined and recorded in writing. Further such findings, records and related



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documents will be made available to auditors and also to EBI/ Stock Exchanges/FIU-IND/other relevant authorities', during audit, inspection or as and when required. These records will be preserved for ten years as is required in PMLA 2002.

- c) The company will ensure a 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. Suspicious transaction will also be regularly reported to the higher authorities / head of the department including the designated director of the company.
- d) Further the surveillance cell of the company will randomly examine a selection of transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transaction or not.

### **(H) Suspicious Transaction Monitoring & Reporting**

- 1. The company ensures that it will take appropriate steps to enable suspicious transaction to be recognized and have appropriate procedures for reporting suspicious transactions. A list of circumstances which may be in the nature of suspicious transaction is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances.
  - a. Clients whose identity verification seems difficult or clients appears not to cooperate.
  - b. Asset Management Services for clients where the source of the funds is not clear or not in keeping with clients apparent standing / business activity.
  - c. Clients in High Risk Jurisdiction or clients introduced by banks or affiliate or other clients based in high risk jurisdiction.
  - d. Substantial increase in business 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.



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- g. Transfer of investment proceeds to apparently unrelated third parties.
  - h. Unusual transactions by CSCs and businesses undertaken by offshore banks / financial services, businesses reported to be in the nature of export-import of small items.
- 2) Any suspicious transactions will be immediately notified to the Money Laundering Control Officer or any other designated officer within the intermediary. The notifications may be done in the form of a detailed report will specific references to the clients, transactions and the nature/reason of suspicion, However, it will be ensured that there is continuity in dealing with the client as normal until told otherwise and the client will not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken. The designated director and other appropriate compliance, risk management and related staff members will have timely access to customer identification data and other CDD information, transaction records and other relevant information .
- 3) It is likely that in some cases transaction is abandoned/aborted by customers on begin asked to give some details or to provide documents. It is clarified that the company will report all such attempted transactions in STRs, even if not completed by customers, irrespective of the amount of the transaction.
- 4) The company will apply appropriate counter measures for clients failing under CSCs. These measures will include a further enhanced scrutiny of transactions enhanced relevant reporting mechanism or systematic reporting of financial transactions and applying enhanced due diligence while expanding business relationship with the identified country or persons in that country etc.

### **(I) Reporting to FIU – India**

1. In terms of the PMLA rules, the company will report information relating to cash and suspicious transactions to The Director, Financial Intelligence Unit India (FIU – IND) at the following address:

Director, FIU – IND



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Financial Intelligence Unit India  
6<sup>th</sup> floor, Hotel Samrat  
Chanakyapuri  
New Delhi – 110021

- (1) The company will carefully go through all the reporting requirements and formats as per the provision of PMLA
  - a. The designated director will be responsible for timely submission of CTR and STR to FIU-IND
  - b. Utmost confidentiality will be maintained in filling of CTR and STR to FIU- IND. The reports will be transmitted by speed/registered post/fax at the notified address.
  - c. No nil reporting will be made to FIU-IND in case there are no cash/suspicious transaction to be reported.
- 3) The company will not put any restrictions on operations in the accounts where a STR has been made. Company and its directors, officers and employees (permanent and temporary) will be prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND. Thus it will be ensured that there is no tipping off to the client at any level.
- 4) The company, irrespective of the amount of transaction and or the threshold limit envisaged for predicated offense specified in Part B of schedule of PMLA 2002 will file STR if it has reasonable grounds to believe that the transaction involve proceeds of crime.

## **(J) Designation of an officer for reporting of suspicious transaction.**

The designated director of the company is responsible for the following:

- Communicating the policy on prevention of Money laundering to the employees of the company.
- Receiving reports from employees for any suspicious dealing noticed by them.
- Clarification any queries from employees on this matter.



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- Ensuring that the employees dealing with the clients/prospective clients are aware of the guidelines of the company and are advised to follow the same strictly.
- Report any suspicious transactions to appropriate authorities.
- Will have access to and be able to report to senior management above his/her next reporting level or the Board of Directors.

### **(K) High standards in hiring policies and training with respect to anti money laundering**

The company has adequate screening procedures in place to ensure high standards when hiring employees. The company will identify properly the key position within their own organization structure having regard to the risk of money laundering and terrorist financing and size of their business. The senior management level has been entrusted with the responsibility of complying with the provisions of the Act and reporting of the suspicious transactions, if any. The employees of the company has been briefed up and trained with the provisions and intentions of the Act putting stress to anti money laundering and anti- terrorist financing.