



**FIRM/ENTITY NAME POLICES AND PROCEDURE FOR PREVENTION OF MONEY  
LAUNDERING**  
**(as per the requirements of the PMLA Act 2002)**

**1. Firm Policy**

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

**2. Principal Officer Designation and Duties**

The firm has designated **Smt. GEETA R. KHIATANI** (mention Designation) as the Principal Officer for its Anti-Money Laundering Program, with full responsibility for the firm's AML program is qualified by experience, knowledge and training. The duties of the Principal Officer will include monitoring the firm's compliance with AML obligations and overseeing communication and training for employees. The Principal Officer will also ensure that proper AML records are kept. When warranted, the Principal Officer will ensure filing of necessary reports with the Financial Intelligence Unit (FIU – IND)

The firm has provided the FIU with contact information for the Principal\* Officer, including name, title, mailing address, e-mail address, telephone number and facsimile number. The firm will promptly notify FIU of any change to this information.

**3. Customer Identification and Verification**

At the time of opening an account or executing any transaction with it, the firm will 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 as under

| Constitution of Client | Proof of Identity                                                                                                                     | Proof of Address               | Others                                                                                  |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------------------|
| Individual             | 1. PAN Card                                                                                                                           | 2. Copy of Bank Statement, etc | 3. N.A.                                                                                 |
| Company                | 4. PAN Card<br>5. Certificate of incorporation<br>6. Memorandum and Articles of Association<br>7. Resolution of Board of Directors    | 8. As above                    | 9. Proof of Identity of the Directors/Others authorized to trade on behalf of the firm  |
| Partnership Firm       | 10. PAN Card<br>11. Registration certificate<br>12. Partnership Deed                                                                  | 13. As above                   | 14. Proof of Identity of the Partners/Others authorized to trade on behalf of the firm  |
| Trust                  | 15. PAN Card<br>16. Registration certificate<br>17. Trust Deed                                                                        | 18. As above                   | 19. Proof of Identity of the Trustees/Others authorized to trade on behalf of the Trust |
| AOP/BOI                | 20. PAN Card<br>21. Resolution of the managing body<br>22. Documents to collectively establish the legal existence of such an AOP/BOI | 23. As above                   | 24. Proof of Identity of the Persons authorized to trade on behalf of the AOP/BOI       |

25. If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our firm will not open the new account.

26. All PAN Cards received will be verified from the Income Tax/ NSDL website before the account is opened

27. The Firm will maintain records of all identification information for ten years after the account has been closed

**4. Client Due Diligence****4.1 The CDD measures of the firm comprise the following:**

- Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party will be identified using client identification and verification procedures.
- Verify the client's identity using reliable, independent source documents, data or information
- Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted
- Verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c); and
- Conduct ongoing due diligence and scrutiny, i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds.

**4.2 Policy for acceptance of clients:**

- No account will be opened in a fictitious /benami name or on an anonymous basis.
- Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to client's location (registered office address, correspondence addressed and other addresses of applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters enable classification of clients into low, medium and high risk. Clients of special category may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.
- Documentation requirement and other information will be collected in respect of different classes of clients depending on perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.
- The Firm will not open account where it is unable to apply appropriate CDD measures/ KYC policies. This may be applicable in cases where it is not possible to ascertain the

identity of the client, or the information provided to the intermediary is suspected to be non genuine, or there is perceived non co-operation of the client in providing full and complete information. The Firm will not continue to do business with such a person and file a suspicious activity report. The Firm will be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the Firm will consult the relevant authorities in determining what action it should take when it suspects suspicious trading.

- Necessary checks and balance are put into place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whatever in terms of criminal or civil proceedings by any enforcement agency worldwide.

#### **4.3 Risk Profiling of Clients**

- Clients will be categorized as high/Low/Medium risk depending on circumstances such as the client's background, type of business relationship or transaction etc. the firm will adopt an enhanced client due diligence process for higher risk categories of clients.
- Conversely, a simplified client due diligence process will be adopted for lower risk categories of clients.

#### **4.4 Clients of special category (CSC):**

- Such clients include the following-
  - i. Non resident clients
  - ii. High net-worth clients,
  - iii. Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
  - iv. Companies having close family shareholdings or beneficial ownership
  - v. 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. The additional norms applicable to PEP as contained in the subsequent Para 5.5 of this circular shall also be applied to the accounts of the family members or close relatives of PEPs.
  - vi. Companies offering foreign exchange offerings
  - vii. Clients in high risk countries where existence/effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production, countries where corruption (as per Transparency International Corruption perception Index) is highly prevalent, countries against which government sanctions are applied, countries reputed to be any of the following –

- Havens/ sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.
- viii. Non face to face clients
  - ix. Clients with dubious reputation as per public information available etc.

As per the independence judgment of the firm any other set of clients can be added.

#### **4.5 Client Identification Procedure:**

- The Firm has in place necessary procedures to determine whether their existing/potential client is a PEP. Such procedures would include seeking additional information from clients, accessing publicly available information etc.
- The account opening officials will have to obtain approval from Senior Management for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, account opening officials will have obtain senior management approval to continue the business relationship.
- Reasonable measures will be taken to verify source of funds of clients identified as PEP.
- The client will be identified by the intermediary by using reliable source including documents/information. The firm will obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- Each original document will be seen prior to acceptance of a copy.
- Failure by prospective client to provide satisfactory evidence of identity will have to be noted and reported to the higher authority within the Firm.

#### **5. Maintenance of Records**

The Principal Officer will be responsible for the maintenance for following records

- all cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
- all series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in Foreign currency where such series of transactions have taken place within a month;
- 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;
- all suspicious transactions whether or not made in cash. Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith-

- give rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- appears to be made in circumstances of unusual or unjustified complexity; or
- appears to have no economic rationale or bonafide purpose; or
- gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism

The records shall contain the following information:

- The nature of the transactions;
- The amount of the transaction and the currency in which it was denominated;
- The date on which the transaction was conducted; and
- The parties to the transaction.”

The records will be updated on daily basis, and in any case not later than 5 working days

#### **6. Retention of Records**

- The Firm has taken appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further the records mention in point no 5 will be maintained and preserved for a period of ten years from the date of transactions between the client and firm.
- The records on client identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence will be maintained and preserved for a period of ten years from the date of cessation of the transactions between the client and firm.
- In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they will be retained until it is confirmed that the case has been closed.

#### **7. Monitoring of transactions**

- Regular monitoring of transactions will be done to have a proper understanding of the normal activity of the client so that it can identify deviations in transactions / activities and in a way ensure the effectiveness of the AML policy.
- The Firm will pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. The Firm has specified internal threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits.

- The background including all documents / office records / memorandums/ clarifications sought pertaining to such transactions and purpose thereof will also be examined carefully and findings will be recorded in writing. Further such findings, records and related documents, will be made available to auditors and also to SEBI / Stock Exchange / FIU-IND / Other relevant Authorities, during audit, inspection or as and when required. These records will be preserved for ten years as is required under PMLA.
- The Firm will ensure that a record of the transactions is preserved and maintained and that transactions of a suspicious nature or any other transactions notified are reported to the Director, FIU-IND. Suspicious transactions will also be regularly reported to the higher authorities within the Firm.
- Further, the compliance cell of the Firm will randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.

#### **8. Monitoring Accounts For Suspicious Activity**

The firm will monitor through the automated means of Back Office Software for unusual size, volume, pattern or type of transactions. For non automated monitoring, the following kinds of activities are to be mentioned as Red Flags and reported to the Principal Officer.

- The customer exhibits unusual concern about the firms compliance with government reporting requirements and the firm's AML policies (particularly concerning his or her identity, type of business and assets), or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspicious identification or business documents.
- The customer wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer's stated business or investment strategy.
- The information provided by the customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.
- Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.
- The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
- The customer exhibits a lack of concern regarding risks, commissions, or other transaction costs.
- The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.

- The customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.
- The customer attempts to make frequent or large deposits of currency, insist on dealing only in cash, or asks for exemptions from the firm's policies relating to the deposit of cash.
- The customer engages in transactions involving cash or cash equivalents or other monetary instruments that appear to be structured to avoid the Rs.10,00,000 government reporting requirements, especially if the cash or monetary instruments are in an amount just below reporting or recording thresholds.
- For no apparent reason, the customer insists for multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers.
- The customer engages in excessive journal entries between unrelated accounts without any apparent business purpose.
- The customer requests that a transaction be processed to avoid the firm's normal documentation requirements.
- The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities, such as Z group and T group stocks, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)
- The customer's account shows an unexplained high level of account activity
- The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.
- The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer.

When a member of the firm detects any red flag he or she will escalate the same to the Principal Officer for further investigation.

Board categories of reason for suspicion and examples of suspicious transactions for an intermediary are indicated as under:

**Identity of Client**

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities.

**Suspicious Background**

- Suspicious background or links with known criminals

**Multiple Accounts**

- Large number of accounts having a common account holder, introducer or authorized signatory with no rationale.
- Unexplained transfers between multiple accounts with no rationale.

**Activity in Accounts**

- Unusual activity compared to past transactions
- Use of different accounts by client alternatively.
- Sudden activity in dormant accounts.
- Activity inconsistent with what would be expected from declared business
- Account used for circular trading

**Nature of Transactions**

- Unusual or unjustified complexity
- No economic rationale or bonafide purpose
- Source of funds are doubtful
- Appears to be case of insider trading
- Investment proceeds transferred to a third party
- Transactions reflect likely market manipulations
- Suspicious off market transactions

**Value of Transactions**

- Value just under the reporting threshold amount in an apparent attempt to avoid reporting
- Large sums being transferred from overseas for making payments
- Inconsistent with the clients apparent financial standing
- Inconsistency in the payment pattern by client
- Block deal which is not at market price or prices appear to be artificially inflated / deflated

**9. Reporting to FIU IND****For Cash Transaction Reporting**

- All dealing in Cash that requiring reporting to the FIU IND will be done in the CTR format and in the matter and at intervals as prescribed by the FIU IND

**For Suspicious Transactions Reporting**

We will make a note of Suspicion Transaction that have not been explained to the satisfaction of the Principal Officer and thereafter report the same to the FIU IND and the required deadlines.

This will typically be in cases where we know, suspect, or have reason to suspect:

- The transaction involves fund derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade any the transaction reporting requirement,
- The transaction is designed, whether through structuring or otherwise, to evade the any requirements of PMLA Act and Rules framed thereof
- The transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and, we know, after examining the background, possible purpose of the transaction and other facts, of no reasonable explanation for the transaction, or
- The transaction involves the use of the firm to facilitate criminal activity.

We will not base our decision on whether to file a STR solely on whether the transaction falls above a set threshold. We will file a STR and notify law enforcement of all transactions that raise an identifiable suspicion of criminal, terrorist, or corrupt activities.

All STRs will be reported quarterly to the Board of Directors, with a clear reminder of the need to maintain the confidentiality of the STRs.

We will not notify any person involved in the transaction that the transaction has been reported, except as permitted by the PMLA Act and Rules thereof.

#### **10. AML Record Keeping**

##### **a. STR Maintenance and Confidentiality**

We will hold STRs and any supporting documentation confidential. We will not inform anyone outside of a law enforcement or regulatory agency or securities regulator about a STR. We will refuse any requests for STR information and immediately tell FIU IND of any such request we receive. We will segregate STR filings and copies of supporting documentation from other firm books and records to avoid disclosing STR filings. Our Principal Officer will handle all requests or other requests for STRs.

##### **b. Responsibility for AML Records and SAR Filing**

Principal Officer will be responsible to ensure that AML records are maintained properly and that STRs are filed as required.

##### **c. Records Required**

As part of our AML program, our firm will create and maintain STRs and CTRs and relevant documentation on customer identity and verification. We will maintain STRs and their accompanying documentation for at least ten years.

**11. Hiring of Employees**

The registered intermediaries has adequate screening procedures in place to ensure high standards when hiring employees. The Firm identifies the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

**12. Training Programs**

We will develop ongoing employee training under the leadership of the Principal Officer. Our training will occur on at least on annual basis. It will be based on our firm's size, its customer base, and its resources. Monthly training Sessions will also be undertaken.

Our training will include, at a minimum: how to identify red flags and signs of money laundering that arise during the course of the employees' duties; what to do once the risk is identified; what employees' roles are in the firm's compliance efforts and how to perform them; the firms record retention policy; and the disciplinary consequence (including civil and criminal penalties) for non compliance with the PMLA Act.

We will develop training in our firm, or contract for it. Delivery of the training may include educational pamphlets, videos, internet systems, in-person lectures, and explanatory memos.

We will review our operations to see if certain employees, such as those in compliance, margin, and corporate security, require specialized additional training. Our written procedures will be updated to reflect any such changes.

**13. Investor Education**

Firm has the policy of sensitizing the clients about these requirements as the ones emanating from AML and CFT framework. The firm will prepare specific literature pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme in order to implement the AML/CFT measures which requires the Firm to demand certain information from investors which may be of personal nature or has hitherto never been called for. Such information can include documents evidencing source of funds/ income tax returns/ bank records etc. This can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information.

**14. Program to Test AML Program****a. Staffing**

The testing of our AML program will be performed by the Statutory Auditors of the company

**b. Evaluation and Reporting**

After we have completed the testing, the Auditor Staff will report its findings to the Board of Directors. We will address each of the resulting recommendations.

**15. Monitoring Employee Conduct and Accounts**

We will subject employee accounts to the same AML procedure as customer accounts, under the supervision of the Principal Officer. We will also review the AML performance of supervisors, as part of their annual performance review. The Principal Officer's accounts will be reviewed by the Board of Directors.

**16. Confidential Reporting of AML Non-Compliance**

Employees will report any violations of the firm's AML compliance program to the Principal Officer, unless the violations implicate the Principal/ Compliance Officer, in which case the employee shall report to the Chairman of the Board, Mr./Ms. Such a reports will be confidential, and the employee will suffer no retaliation for making them.

**17. Board of Directors Approval**

We have approved this AML program as reasonably designed to achieve and monitor our firm's ongoing compliance with the requirements of the PMLA and the implementing regulations under it.

**For JAMNADAS MORAJEE SECURITIES LTD.**



**(MR. HEMANT N. KAMPANI)  
DIRECTOR**



## **Procedures with respect to implementation of Anti Money Laundering Measures under the Prevention of Money Laundering Act, 2002.**

### **1. Objective:**

The objective of these measures is to discourage and identify any money laundering or terrorist financing activities. These measures are intended to place a system for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to the law enforcement authorities.

### **2. Appointment of Principle Officer:**

The company shall appoint a Principle Officer, as required under the Prevention of Money Laundering Act, 2002. The Principle Officer is responsible to discharge the legal obligations to report suspicious transactions to the authorities. The Principle officer will act as a central reference point in facilitating onward reporting of suspicious transactions and assessment of potentially suspicious transactions.

### **3. Transactions to Record:**

- All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month.
- 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.
- All suspicious transactions whether or not made in cash and including, inter-alia, credits or dedits into from any non monetary account such as demat accounts.

Note: For recording all the suspicious transactions not only "transactions integrally connected", "transactions remotely connected or related" should also be considered in records.

**4. Information's to be recorded:**

- The nature of the transactions.
- The amount of the transaction and the currency in which it was denominated.
- The date on which the transaction was conducted.
- The parties to the transaction.
- The origin of the transaction.

**5. Retention of Records:**

- All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period of 10 years as prescribed in PMLA, 2002 and other legislations, regulations or exchange bye-laws or circulars.
- In situation 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 case has been closed.

**6. Procedure and manner of maintaining information.**

- The company shall maintain information in respect of above transactions with its client in hard and soft copies and in accordance with the procedure and manner as may be specified by the Reserve Bank of India or the Securities and Exchange Board of India, as the case may be, from time to time.
- The company shall maintain such information in form specified above and at such intervals as may be specified by the Reserve Bank of India, or the Securities and Exchange Board of India, as the case may be, from time to time.
- The company to observe the procedure and the manner of maintaining information as specified by the Reserve Bank of India or the Securities and Exchange Board of India, as the case may be.

**7. Client Acceptance & Identification Policy:**

The company has very strong system in place for acceptance of new client. The main measures which company has implemented for acceptance of new client keeping in view the PMLA requirements are as follows:

- The Application forms for opening an account are issued only when the prospective client provides the valid reference & introducer for his account.
- All accounts are opened only when the prospective client is present in person before the company official. All sub brokers are also instructed to open only those accounts for which valid reference and introducer is available and client is present in person before the sub broker.
- The company collects the details of location (permanent address, correspondence address and registered office address), occupation details,

- nature of business activities, financial details etc. before new clients is registered.
- The company shall collect the various mandatory documents as required by law, including the proof of identity of the client.
- The company periodically reviews the trading volumes of the clients and their financial strength in terms of annual income, net worth etc.
- The company also monitors the financial transactions with clients for payin payout of funds and securities.
- The company has the policy not to deal in cash with any of the clients, all transactions, receipt or payment, are carried out only through account payee cheque and demand drafts only.
- The company transacts only in Indian Rupees and no other currencies are being used for trades with clients.
- All funds are released to the client by account payee cheques and with details of the bank account of the client written on the cheque so as to restrict the client to deposit cheques in only those bank accounts for which details are provided to us.

**8. Reporting of Transactions:**

- The company shall immediately notify to the money laundering control officers or any other designated officer within the intermediary that may be appointed by the authorities. The transactions will be informed immediately in the format as may be prescribed by the Financial Intelligence Unit (FIU) from time to time. The proper documents and supportings will be maintained and forwarded to the regulators as may be asked for.

For JAMNADAS MORARJEE SECURITIES LTD.



MR. HEMANT N. KAMPANI  
DIRECTOR