



Policy on anti money laundering

Equirus Securities Private Limited

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Introduction

As a SEBI registered Intermediary, Equirus Securities Private Limited (ESPL) is subject to the provisions of Prevention of Money Laundering Act, 2002. It is mandatory for SEBI registered Intermediary to put in place a system for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to the law enforcement authorities and a policy for ensuring that the anti money laundering guidelines issued by SEBI from time to time are complied with.

In view of the same, ESPL adopts and implements below policy (the policy) to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. The Policy is reviewed and approved by Board of Directors on their meeting held on April 23, 2015.

Objectives of the Policy

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

Definitions

“Beneficial Owner” means the natural person or persons who ultimately own, control or influence a Client and/or persons on whose behalf a transaction is being conducted including those persons who exercise ultimate effective control over a legal person or arrangement;

“Broking Client” means a person who has opened a broking account with ESPL.

“Operations Team” means the Employees of ESPL engaged in the back-office operations.

Principal Officer & Designated Director - Designation and Duties

ESPL has designated Mr. Jay Soni as the Principal Officer and Mr. Vishad Turakhia as Designated Director for its Anti-Money Laundering Program, with full responsibility for the ESPL’s AML program and are qualified by experience, knowledge and training. The duties of the Principal Officer & Designated Director will include monitoring the ESPL’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)

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

KYC Guidelines

The objective of the KYC guidelines is to prevent Stock Broker from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures enable Stock Broker to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently. The KYC policy of the Stock Broker incorporates the following elements:

A. Customer Acceptance Policy (CAP) & In Person verification

The following Customer Acceptance Policy indicating the criteria for acceptance of customers shall be followed.

The Member shall accept customer strictly in accordance with the said policy:



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- i. All the KYC documents shall be collected from the client as per SEBI circular No. CIR/MIRSD/16/2011 dated August 22, 2011, CIR/MIRSD/ 07 /2013 dated September 12, 2013 and all other applicable circulars, guidelines and notices from regulators.
- ii. 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.
- iii. All PAN Cards received will be verified from the Income Tax/ NSDL website before the account is opened. The firm will maintain records of all identification information for ten years after the account has been closed.
- iv. No account shall be opened in anonymous or fictitious/benami name(s)
- v. 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.
- vi. ESPL shall make necessary checks 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. RBI/SEBI/Exchange has been circulating lists of terrorist entities notified by the Government of India so that Stock Broker exercise caution against any transaction detected with such entities.
- vii. Once the background screening is complete or simultaneously therewith, ESPL shall conduct an IPV of the prospective Client. IPV of the Client by ESPL's employee is mandatory and shall not at any time be outsourced.
- viii. The employee visiting the Client for IPV must verify the originals of the photocopy documents submitted by the Client as part of KYC documentation.
- ix. IPV must be conducted at the time of registering the Client under the KYC norms.

B. Risk Management

The nature and extent of due diligence shall depend on the risk perceived by the Member. Parameters of risk perception shall be clearly defined 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., to enable categorization of customers into low, medium and high risk called Level I, Level II and Level III respectively. The risk to the customer shall be assigned on the following basis:

- i. Low Risk (Level I):

Following Individuals and entities can be categorized as low risk clients:

- Whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile.
- Where the client profile according to the perception of the Member is certain.
- The illustrative examples of low risk customers could be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover, Government Departments, Government owned companies, regulators, statutory bodies, Institutional Investors like Mutual Funds, Insurance Companies, Scheduled Commercial Banks and clients whose settlement is done by Custodian etc. In such cases, only the basic requirements of verifying the identity and location of the customer shall be met.

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Further low risk provisions should not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk.

ii. Medium Risk (Level II):

Customers that are likely to pose a higher than average risk to the Stock Broker may 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; such as:

- Persons in business/industry or trading activity where the area of his residence or place of business has a scope or history of unlawful trading/business activity.
- Where the client profile of the person/s opening the account, according to the perception of the Member is uncertain and/or doubtful/dubious.

iii. High Risk (Level III):

The Member may apply enhanced 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. The examples of customers requiring higher due diligence may include :

- Non Resident Customers,
- High Net worth individuals whose profile is uncertain according to Members's perception.
- Trusts, charities, NGOs and organizations receiving donations,
- Firms with 'sleeping partners'
- Politically Exposed Persons (PEPs) of foreign origin
- Non-face to face customers, and
- Those with dubious reputation as per public information available, etc.

C. Customer Identification Procedure (CIP) & Client Due Diligence

- ESPL shall close an existing account or shall not open a new account where we are unable to apply appropriate customer due diligence measures i.e. 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 data/information furnished to the Member.
- Customer identification means identifying the person and verifying his/her identity by using reliable, independent source documents, data or information. The Member need to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of broking relationship. Besides risk perception, the nature of information/documents required would also depend on the type of customer (individual, corporate, etc). For customers that are legal persons or entities, the Member shall
 - Verify the legal status of the legal person/entity through proper and relevant documents
 - Verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person
 - Understand the ownership and control structure of the customer and determine who are beneficial owner(s) i.e. the natural persons who ultimately control the legal person. PAN & Address proof of Beneficial owner will taken so as to verify his identity.
- SEBI releases a consolidated list of entities debarred by Securities Exchange Board of India from accessing the capital market or from dealing in securities from time to time. Equirus Securities exercise caution before dealing with such debarred entities by checking SEBI debarred entities list and watch out investors list and the concerned debarred entities shall be refrained from

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dealing in the market as per SEBI orders. Debarred entities would not be allowed to open or operate their trading accounts. Equirus Securities shall keep data base of such PAN Nos. of the debarred entities in its back office systems.

- ESPL shall revisit the CDD process when there are suspicions of money laundering or financing of terrorism (ML/FT).

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 -
 - Gives 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.

Monitoring of Transactions

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 and suspicious transaction reports generated by NSE and BSE. 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 ESPL's compliance with government reporting requirements and the ESPL'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 (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.

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- 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.
- Activity which gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime
- Activity that appears to be made in circumstances of unusual or unjustified complexity
- Activity that appears to have no economic rationale or bonafide purpose
- Activity that gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism
- Substantial increases in business without apparent cause
- Unusual & Unexplained large value of transaction
- Transfer of large sums of money to or from overseas locations
- Unusual & Unexplained activity in dormant accounts

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 funds 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.

AML Record Keeping

STR Maintenance and Confidentiality



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- i. 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.
- ii. 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.
- iii. We will develop ongoing employee training under the leadership of the Principal Officer and Designated Director. Our training will occur based on our firm's size, its customer base, and its resources.
- iv. 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 firm's record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the PMLA Act.
- v. We will develop training in our firm, or contract for it. Delivery of the training may include in-person lectures and explanatory memos.