

PMLA

Written Procedures of internal control to implement the Anti-money laundering provisions adopted by the Company to ensure that we comply with the requirements of the provisions of the Prevention of Money Laundering Act, 2002 (PMLA)

We have sent a circular to all the Branch Manager / Subbrokers / Authorised persons. The glimpse of the said circular is as follows.

Procedures of internal control to implement the Anti-money laundering provisions

[1] The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July 2005.

[2] Our Company has appointed **Mr. Kapil Shah** at Bombay Office as “ Principal Officer “ as required under the Act

[3] Provisions of this Act are applicable to us as ‘**intermediary**’ (which includes a stock-broker etc.)

[4] We have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA. Such transactions include :

(i) All cash transactions of the value of more than Rs 10 lacs or its equivalent in foreign currency.

(ii) All series of cash transactions integrally connected to each other which have been valued below Rs 10 lacs or its equivalent in foreign currency where such series of transactions take place within one calendar month.

(iii) All suspicious transactions whether or not made in cash.

{some examples of “suspicious transactions” are as under }

The Prevention of Money laundering Act, 2002 and the Rules notified there under require every intermediary to furnish details of 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 –

(a) gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or

(b) appears to be made in circumstances of unusual or unjustified complexity; or

(c) appears to have no economic rationale or bonafide purpose.

Broad 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

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[5] **Cash transaction/s:** Any Transaction/s falling under the 4 (i) and (ii) above is easy to understand. However as per Company's policy and strict instructions we **do not** have any **cash transaction** even for small amount. It is company's policy to settle all dues for any buy/sell transactions (including Auctions) or receipt/payment of margins etc by cheque/s only. As such there should not be anything to report on this count. However all recipients of this instructions are required to report any such Cash Transaction/s if it comes to their knowledge should be immediately reported to **Mr. Kapil Shah – Principal officer** and/ or **Mr. Hardik Jain - Director.**

[6] **Suspicious transactions:** As per Company's policy and strict instructions we **do not** take new client unless properly introduced by someone known to us. Further as per Company's policy unless new client has properly filled up and submitted KYC Form along with necessary proofs for residence/age etc we do not registered them as our client. However all recipients of this instructions are required to report if any transaction/s by any

client/s / any payment or delivery of security /or size of the transaction or anything seems **“Suspicious”** or it comes to their knowledge should be immediately reported to **Mr. Kapil Shah - Principal officer** and/ or **Mr. Hardik Jain - Director**.

[7] You must discuss this with your assistants and tell them to bring to your notice any of the transactions described above to your notice immediately. Further In future if any new assistant is assigned to you, you must briefed him/her about reporting the matter to you immediately.

[8] All reporting to the concerned authorities will be done from Head Office – Mumbai.

[9] In case you require any further information / clarification please contact **Mr. Kapil Shah - Principal officer** and/ or **Mr. Hardik Jain - Director**.