PMLA POLICY

ADOPTED BY

GIRIRAJ STOCK BROKING PRIVATE LIMITED

MEMBER: BSE LTD

NSE LTD

POLICIES & PROCEDURES ADOPTED FOR PREVENTION OF MONEY LAUNDERING
(Issued as per the requirements of PMLA Act 2002)

Master Circular: - Ref. SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated-15-Oct-2019

1. Policy

It is our policy 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.

2.1. Written Anti Money Laundering Procedures

GIRIRAJ STOCK BROKING PRIVATE LIMITED has adopted these written procedures to implement the anti- money laundering provisions as envisaged under the PMLA. Such procedures shall include inter alia, the following three specific parameters which are related to the overall 'Client Due Diligence Process':

- ✓ Policy for acceptance of clients
- ✓ Procedure for identifying the clients
- ✓ Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR).

2.2. Client Due Diligence (CDD)

1. **The CDD measures at GIRIRAJ STOCK BROKING PRIVATE LIMITED shall 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 shall 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.
- ✓ Verifying the client's identity using reliable, independent source documents, data or information.
- ✓ Identifying 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.

Provided that where the Regulator is of the view that money laundering and terrorist financing risks are effectively managed and where this is essential not to interrupt the normal conduct of business, the Regulator may permit the reporting entity to complete the verification as soon as reasonably practicable following the establishment of the relationship; and in all other cases, verify identity while carrying out-

- ✓ transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or
- ✓ any international money transfers operations.

As per Prevention of Money-laundering (Maintenance of Records) Amendment Rules, 2015, Rule 9

- ✓ Every reporting entity shall within [ten days] after the commencement of an account-based relationship with a client, file the electronic copy of the client's KYC records with the Central KYC Records Registry;
- ✓ The Central KYC Records Registry shall process the KYC records received from a reporting entity for de-duplicating and issue a KYC Identifier for each client to the reporting entity, which shall communicate the KYC Identifier in writing to their client;
- ✓ Where a client submits a KYC Identifier to a reporting entity, then such reporting entity shall retrieve the KYC records online from the Central KYC Records Registry by using the KYC Identifier and shall not require a client to submit the same KYC records or information or any other additional identification documents or details, unless -
    - there is a change in the information of the client as existing in the records of Central KYC Records Registry;
    - the current address of the client is required to be verified;
    - the reporting entity considers it necessary in order to verify the identity or address of the client, or to perform enhanced due diligence or to build an appropriate risk profile of the client.
- ✓ A reporting entity after obtaining additional or updated information from a client under sub rule (1C), shall as soon as possible furnish the updated information to the Central KYC Records Registry which shall update the existing KYC records of the client and the Central KYC Records Registry shall thereafter inform electronically all reporting entities who have dealt with the concerned client regarding updation of KYC record of the said client.

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- ✓ The reporting entity which performed the last KYC verification or sent updated information in respect of a client shall be responsible for verifying the authenticity of the identity or address of the client.
- ✓ A reporting entity shall not use the KYC records of a client obtained from the Central KYC Records Registry for purposes other than verifying the identity or address of the client and shall not transfer KYC records or any information contained therein to any third party unless authorised to do so by the client or by the Regulator or by the Director;
- ✓ The regulator shall issue guidelines to ensure that the Central KYC records are accessible to the reporting entities in real time.
- ✓ A reporting entity may rely on a third party subject to the conditions that-
    - the reporting entity immediately obtains necessary information of such client due diligence carried out by the third party;
    - the reporting entity takes adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;
    - the reporting entity is satisfied that such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;
    - the third party is not based in a country or jurisdiction assessed as high risk;
    - the reporting entity is ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable.

For Clients Individual:

- ✓ Where the client is an individual, he shall submit to the reporting entity, the Aadhaar number where,
    - he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); or
    - he decides to submit his Aadhaar number voluntarily to a banking company or any reporting entity notified under first proviso to sub-section (1) of section 11A of the Act; or
    - the proof of possession of Aadhaar number where offline verification can be carried out; or

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- the proof of possession of Aadhaar number where offline verification cannot be carried out or any officially valid document or the equivalent e-document thereof containing the details of his identity and address; and
- the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and
- such other documents including in respect of the nature of business and financial status of the client, or the equivalent e-documents thereof as may be required by the reporting entity

Provided that if the client does not submit the Permanent Account Number, he shall submit one certified copy of an 'officially valid document' containing details of his identity and address, one recent photograph and such other documents including in respect of the nature or business and financial status of the client as may be required by the reporting entity.

[Explanation. - Obtaining a certified copy by reporting entity shall mean comparing the copy of officially valid document so produced by the client with the original and recording the same on the copy by the authorised officer of the reporting entity in a manner prescribed by the regulator.]

<u>For clients other than individuals or trusts</u>

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

✓ 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:

- more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- 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.

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- ✓ In cases where there exists doubt under clause (aa) 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.

- ✓ Where no natural person is identified under clauses (aa) or (bb) 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, GIRIRAJ STOCK BROKING PRIVATE LIMITED 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 15% 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.

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	• 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. KYC/AML Policy • Authorised signatories list with specimen signatures. Photograph, POI, POA, PAN of Partners.
Trust	• 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. KYC/AML Policy • 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.

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	• List of Managing Committee members. • Committee resolution for persons authorised to act as authorised signatories with specimen signatures. • True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.

Exemption in case of listed companies:

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

Applicability for foreign investors

While dealing with foreign investors, GIRIRAJ STOCK BROKING PRIVATE LIMITED will be guided by the clarifications issued vide SEBI circulars CIR/MIRSD/11/2012 dated September 5, 2012 and CIR/ MIRSD/ 07/ 2013 dated September 12, 2013, for the purpose of identification of beneficial ownership of the client.

Monitor of compliance

The compliance of the aforementioned provision on identification of beneficial ownership shall be monitored by the Board of Directors of GIRIRAJ STOCK BROKING PRIVATE LIMITED.

- ✓ Verifying 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).
- ✓ Understanding the ownership and control structure of the client.
- ✓ Conducting 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 GIRIRAJ STOCK BROKING PRIVATE LIMITED's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds
- ✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process

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2. Policy for acceptance of clients:

The client acceptance policies and procedures of GIRIRAJ STOCK BROKING PRIVATE LIMITED aims to identify the types of clients that are likely to pose a higher than average risk of ML or TF. By establishing such policies and procedures, GIRIRAJ STOCK BROKING PRIVATE LIMITED will be in a better position to apply client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction. In a nutshell, the following safeguards will be followed while accepting the clients:

- ✓ No account is 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 clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) 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 requirements and other information to be collected in respect of different classes of clients depending on the 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.
- ✓ Ensure that an account is not opened where GIRIRAJ STOCK BROKING PRIVATE LIMITED is unable to apply appropriate CDD measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to GIRIRAJ STOCK BROKING PRIVATE LIMITED is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. GIRIRAJ STOCK BROKING PRIVATE LIMITED shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. GIRIRAJ STOCK BROKING PRIVATE LIMITED shall be cautious to ensure that we do not return securities of money that may be from suspicious trades. However, GIRIRAJ STOCK BROKING PRIVATE LIMITED shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.
- ✓ The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a

specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with GIRIRAJ STOCK BROKING PRIVATE LIMITED, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.

- ✓ Necessary checks and balance to be 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, whether in terms of criminal or civil proceedings by any enforcement agency worldwide
- ✓ The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

3. Risk-based Approach:

- ✓ It is generally recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, GIRIRAJ STOCK BROKING PRIVATE LIMITED shall apply each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that GIRIRAJ STOCK BROKING PRIVATE LIMITED shall adopt an enhanced client due diligence process for higher risk categories of clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that GIRIRAJ STOCK BROKING PRIVATE LIMITED shall obtain necessarily depend on the risk category of a particular client.
- ✓ Further, low risk provisions shall 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

- In order to achieve this objective, all clients of the branch should be classified in the following category:
  - **High Risk**– Clients who fall under the category of CSC.
  - **Medium Risk** - Customers that are likely to pose a higher than average risk to the 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 branch is uncertain and/or doubtful/dubious.

- **Low risk** - Individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile may be categorized as low risk. 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 and Government owned companies, regulators and statutory bodies etc. In such cases, only the basic requirements of verifying the identity and location of the customer shall be met.

✓ Risk Assessment:

- GIRIRAJ STOCK BROKING PRIVATE LIMITED shall carry out risk assessment to identify, 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 thevarious United Nations' Security Council Resolutions. These can be accessed at the URLhttp://www.un.org/sc/committees/1267/aq_sanctions_list.shtmlandhttp://www.un.org/sc/committees/1988/list.shtml
- The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The assessment shall be documented, updated regularly and made available to competent authorities and self-regulating bodies, as and when required.

4. Clients of special category (CSC)

Such clients shall include the following:

✓ Non - resident clients

✓ High net-worth clients,

✓ Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations

✓ Companies having close family shareholdings or beneficial ownership

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- ✓ Politically Exposed Persons (PEP) 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 shall also be applied to the accounts of the family members or close relatives of PEPs.
- ✓ Companies offering foreign exchange offerings
- ✓ 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 centres, tax havens, countries where fraud is highly prevalent. While dealing with clients in high risk countries where the existence/effectiveness of money laundering control is suspect, GIRIRAJ STOCK BROKING PRIVATE LIMITED shall apart from being guided by the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org), also independently access and consider other publicly available information.
- ✓ Non face to face clients
- ✓ Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and the GIRIRAJ STOCK BROKING PRIVATE LIMITED shall exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.

5. Client identification procedure:

- ✓ The KYC policy shall clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the client relationship, while carrying out transactions for the client or when GIRIRAJ STOCK BROKING PRIVATE LIMITED has doubts regarding the veracity or the adequacy of previously obtained client identification data. GIRIRAJ STOCK BROKING PRIVATE LIMITED shall be in compliance with the following requirements while putting in place a Client Identification Procedure (CIP):
    - GIRIRAJ STOCK BROKING PRIVATE LIMITED shall proactively put in place appropriate risk management systems to determine whether its existing client or potential client or the

beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPs. Further, the enhanced CDD measures shall also be applicable where the beneficial owner of a client is a PEP.

- Senior management approval would be obtained 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, GIRIRAJ STOCK BROKING PRIVATE LIMITED shall obtain approval from Director to continue the business relationship.
- GIRIRAJ STOCK BROKING PRIVATE LIMITED shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
- The client shall be identified by GIRIRAJ STOCK BROKING PRIVATE LIMITED by using reliable sources including documents / information. GIRIRAJ STOCK BROKING PRIVATE LIMITED shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by GIRIRAJ STOCK BROKING PRIVATE LIMITED in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.
- Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority (Principal Officer) within GIRIRAJ STOCK BROKING PRIVATE LIMITED.

✓ SEBI has prescribed the minimum requirements relating to KYC from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time, GIRIRAJ STOCK BROKING PRIVATE LIMITED shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices. Further, GIRIRAJ STOCK BROKING PRIVATE LIMITED shall conduct ongoing due diligence where it notices inconsistencies in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued there under so that the GIRIRAJ STOCK BROKING PRIVATE LIMITED is aware of the clients on whose behalf it is dealing.

✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED shall formulate and implement a CIP which shall incorporate the requirements of the PML Rules Notification No. 9/2005 dated July 01, 2005 (as

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amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients and such other additional requirements that is considered appropriate to enable GIRIRAJ STOCK BROKING PRIVATE LIMITED to determine the true identity of its clients.

- ✓ It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to GIRIRAJ STOCK BROKING PRIVATE LIMITED from obtaining the minimum information/documents from clients as stipulated in the PML Rules/ SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients. In other words, there shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures by GIRIRAJ STOCK BROKING PRIVATE LIMITED. This shall be strictly implemented by GIRIRAJ STOCK BROKING PRIVATE LIMITED.

6. Reliance on third party for carrying out Client Due Diligence (CDD)

- ✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED may rely on a third party for the purpose of
  - Identification and verification of the identity of a client and
  - Determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.
- ✓ Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. Further, it is clarified that GIRIRAJ STOCK BROKING PRIVATE LIMITED shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

2.3. Record Keeping

1. GIRIRAJ STOCK BROKING PRIVATE LIMITED shall ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

2. GIRIRAJ STOCK BROKING PRIVATE LIMITED shall 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 behaviour.
3. 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, GIRIRAJ STOCK BROKING PRIVATE LIMITED shall retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:

✓ the beneficial owner of the account;

✓ the volume of the funds flowing through the account; and

✓ for selected transactions:

- the origin of the funds
- the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
- the identity of the person undertaking the transaction;
- the destination of the funds;
- the form of instruction and authority.

4. GIRIRAJ STOCK BROKING PRIVATE LIMITED shall ensure that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, GIRIRAJ STOCK BROKING PRIVATE LIMITED shall retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed there-under PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.
5. Maintenance of the records of the identity of clients. –

✓ Every reporting entity shall maintain the physical copy of records of the identity of its clients obtained, after filing the electronic copy of such records with the Central KYC Records Registry.

✓ The records of the identity of clients shall be maintained by a reporting entity in the manner as may be specified by the Regulator from time to time.

✓ Where the reporting entity does not have records of the identity of its existing clients, it shall obtain the records within the period specified by the regulator, failing which the reporting entity shall close the account of the clients after giving due notice to the client.

Explanation. - For the purpose of this rule, the expression "records of the identity of clients" shall include updated records of the identification data, account files and business correspondence.

6. Furnishing of Report to Director. –

- ✓ The persons shall furnish reports on the measures taken to the Director every month by the 10th day of the succeeding month.
- ✓ The Director may relax the time interval above to every three months on specific request made by the reporting entity based on reasonable cause.

7. Expenses for audit. –

- ✓ The expenses of, and incidental to, audit referred to in sub-section (1A) of section 13 of the Act (including the remuneration of the accountant, qualified assistants, semi-qualified and other assistants who may be engaged by such accountant) shall be paid in accordance with the amount specified in sub-rule (2) of rule 14B of the Income-tax Rules, 1962 for every hour of the period as specified by the Director.
- ✓ The period referred to in sub-rule (1) shall be specified in terms of the number of hours required for completing the report.
- ✓ The accountant referred to in sub-section (1A) of section 13 of the Act shall maintain a time sheet and submit it to the Director, along with the bill.
- ✓ The Director shall ensure that the number of hours claimed for billing purposes is commensurate with the size and quality of the report submitted by the accountant.

8. More specifically, GIRIRAJ STOCK BROKING PRIVATE LIMITED shall put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

- ✓ all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
- ✓ all series of cash transactions integrally connected including transaction remotely connected or related to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency;
- ✓ all transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency;]

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- ✓ all cash transactions were forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
- ✓ all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

2.4. Information to be maintained

GIRIRAJ STOCK BROKING PRIVATE LIMITED will maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

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

2.5. Retention of Records

- ✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED shall take 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 mentioned in Rule 3 of PML Rules have to be maintained and preserved for a period of five years from the date of transactions between the client and GIRIRAJ STOCK BROKING PRIVATE LIMITED.
- ✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED is required to formulate and implement the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of five years after the business relationship between the clients and GIRIRAJ STOCK BROKING PRIVATE LIMITED has ended or the account has been closed, whichever is later.
- ✓ Thus the following document retention terms shall be observed:

- All necessary records on transactions, both domestic and international, shall be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed there under as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.

✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED shall maintain and preserve the records of documents evidencing the identity of its clients and beneficial owners (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of five years after the business relationship between a client and GIRIRAJ STOCK BROKING PRIVATE LIMITED has ended or the account has been closed, whichever is later.

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

✓ Records of information reported to the Director, Financial Intelligence Unit – India (FIU – IND): GIRIRAJ STOCK BROKING PRIVATE LIMITED shall maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, as required under Rules 7 and 8 of the PML Rules, for a period of five years from the date of the transaction between the client and GIRIRAJ STOCK BROKING PRIVATE LIMITED.

2.6. Monitoring of transactions

✓ Regular monitoring of transactions is vital for ensuring effectiveness of the AML procedures. This is possible only if GIRIRAJ STOCK BROKING PRIVATE LIMITED has an understanding of the normal activity of the client so that it can identify deviations in transactions / activities.

✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. GIRIRAJ STOCK BROKING PRIVATE LIMITED may specify 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 shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/STCOK exchanges/FIUIND/ other relevant Authorities, during audit,

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inspection or as and when required. These records will be maintained and preserved for a period of five years from the date of transaction between the clients and GIRIRAJ STOCK BROKING PRIVATE LIMITED.

- ✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED shall ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND. Suspicious transactions shall also be regularly reported to the higher authorities (Director) within GIRIRAJ STOCK BROKING PRIVATE LIMITED
- ✓ Further, the compliance cell of GIRIRAJ STOCK BROKING PRIVATE LIMITED shall 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.
- ✓ All regulatory alerts generated by the Market Infrastructure Institutions (MIIs) shall be monitored by the Principal Officer for necessary action to be taken

2.7. Suspicious Transaction Monitoring and Reporting

- ✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, GIRIRAJ STOCK BROKING PRIVATE LIMITED shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.
- ✓ A list of circumstances which may be in the nature of suspicious transactions 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:
  - Clients whose identity verification seems difficult or clients that appear not to cooperate
  - Asset management services for clients where the source of the funds is not clear or not in keeping with clients' apparent standing/business activity;
  - Clients based in high risk jurisdictions;
  - Substantial increases in business without apparent cause;
  - Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
  - Attempted transfer of investment proceeds to apparently unrelated third parties;

- 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.

✓ Any suspicious transaction shall be immediately notified to the Money Laundering Control Officer (Principal Officer) or any other designated officer within GIRIRAJ STOCK BROKING PRIVATE LIMITED. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall not be told of the report/ suspicion. In exceptional circumstances, consent may 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 Principal Officer/ Money Laundering Control Officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

✓ It is likely that in some cases transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. It is clarified that GIRIRAJ STOCK BROKING PRIVATE LIMITED shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

✓ This policy categorizes clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'CSC'. Such clients shall also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.

2.8. List of Designated Individuals/ Entities

An 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) can be accessed at its website at http://www.un.org/sc/committees/1267/consolist.shtml.

SEBI has released the following press release for the updated list:

- PR No.04/2020 dated January 22, 2020

- PR No.08/2020 dated February 18, 2020
- PR No.09/2020 dated February 20, 2020
- PR No.11/2020 dated February 25, 2020
- PR No.12/2020 dated February 26, 2020
- PR No.15/2020 dated March 11, 2020
- PR No.33/2020 dated June 20, 2020
- PR No.40/2020 dated July 22, 2020
- PR No.43/2020 dated August 25, 2020
- PR No.49/2020 dated September 21, 2020
- PR No.54/2020 dated October 14, 2020

UNSC has released the following press release and sanctions list:

- Note SC/14321 dated 8 October 2020 adding one entry to list of individuals in UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List viz.
- List of Individuals/Entities designated/added/amended by United Nations Security Council Under UNSCR 1267-reg dated January 22, 2021
- Notification on updated lists of UNSCR 1718 Sanctions Committee dated December 24, 2020
- Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Amendment of 92 Entries dated February 24, 2021.
- Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List dated February 25, 2021.
- Amendment of 8 Entries by UNSC ISIL (Da'esh) and Al-Qaida Sanctions Committee dated March 24, 2021
- Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Amendment of 1 Entry dated April 07, 2021.
- Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Amendment of 1 Entry dated June 21, 2021.
- Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Amendment of 1 Entry dated June 21, 2021.
- Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Removal of 1 Entry dated September 08, 2021.

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- Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Addition of 1 Entry dated November 26, 2021.
- Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Addition of 1 Entry dated December 22, 2021.
- Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List –Amendment of 62 entries on its Sanction List dated December 31, 2021.
- Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Addition of 2 Entries dated December 31, 2021.
- Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List –Deletion of 5 entries dated January 06, 2022.
- Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List –Removal of 3 entries dated January 18, 2022.
- Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List –Deletion of 1 entry dated January 25, 2022.

GIRIRAJ STOCK BROKING PRIVATE LIMITED shall ensure that accounts are not opened in the name of anyone whose name appears in said list. GIRIRAJ STOCK BROKING PRIVATE LIMITED shall continuously scan 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 shall immediately be intimated to SEBI and FIU-IND.

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

1. Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of Section 51A of the UAPA.
2. Under the aforementioned Section, 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

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Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. The Government is also empowered to prevent the entry into or transit through India of Individuals listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism.

3. GIRIRAJ STOCK BROKING PRIVATE LIMITED shall ensure effective and expeditious implementation of the procedure laid down in the UAPA Order dated February 02, 2021 as listed below:

✓ On receipt of the updated list of individual's/ entities subject to UN sanction measures (hereinafter referred to as 'list of designated individuals/ entities) from the Ministry of External Affairs (MHA)' and forwarded by SEBI, GIRIRAJ STOCK BROKING PRIVATE LIMITED shall take the followings steps:

- GIRIRAJ STOCK BROKING PRIVATE LIMITED will maintain updated designated lists in electronic form and run a check on the given parameters on a daily basis to verify whether individuals or entities listed in the schedule to the Order (referred to as designated individuals/entities) are holding any funds, financial assets or economic resources or related services held in the form of securities with them.
- In case, particulars of any of customers match with the particulars of designated individuals/entities, GIRIRAJ STOCK BROKING PRIVATE LIMITED shall immediately inform full particulars of the funds, financial assets or economic resources or related services held in the form of securities, held by such customer on their books to the Central [designated] Nodal Officer for the UAPA, at Fax No. 011-23092551 and also convey over telephone No. 011-23092548. The particulars apart from being sent by post shall necessarily be conveyed through e-mail at jsctcr-mha@gov.in.
- GIRIRAJ STOCK BROKING PRIVATE LIMITED shall also send the copy of the communication mentioned above through post/fax and through e-mail (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Officer on Special Duty, Integrated Surveillance Department, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 as well as the UAPA nodal officer of the state/UT where the account is held, as the case may be, and to FIU-IND.
- In case the aforementioned details of any of the customers match the particulars of designated individuals/entities beyond doubt, GIRIRAJ STOCK BROKING PRIVATE LIMITED shall prevent such designated persons from conducting financial transactions, under

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intimation to the Central [designated] Nodal Officer for the UAPA, at Fax No. 011-23092551 and also convey over telephone No. 011-23092548. The particulars apart from being sent by post shall necessarily be conveyed through e-mail at jsctcr-mha@gov.in.

- GIRIRAJ STOCK BROKING PRIVATE LIMITED shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts carried through or attempted, as per the prescribed format.

✓ On receipt of the particulars, Central [designated] Nodal Officer for the UAPA would cause a verification to be conducted by the State Police and /or the Central Agencies so as to ensure that the individuals/ entities identified by GIRIRAJ STOCK BROKING PRIVATE LIMITED are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by GIRIRAJ STOCK BROKING PRIVATE LIMITED are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.

✓ In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND so that any individual or entity may be prohibited from making any funds, financial assets or economic resources or related services available for benefit of the designated individuals / entities or any other person engaged in or suspected to be engaged in terrorism. The order shall take place without prior notice to the designated individuals/entities.

✓ Implementation of requests received from foreign countries under U.N. Securities Council Resolution 1373 of 2001.

- U.N. Security Council Resolution 1373 of 2001 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities owned or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly, by such persons and associated persons and entities. Each individual country has the authority to designate the persons and entities that should have their funds or other assets frozen. Additionally to ensure that effective cooperation is developed among countries, countries should examine

and give effect to, if appropriate, the actions initiated under the freezing mechanisms of other countries.

- To give effect to the requests of foreign countries under U.N. Security Council Resolution 1373, the Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the Central [designated] nodal officer for the UAPA for freezing of funds or other assets.
- The Central [designated] nodal officer for the UAPA, shall cause the request to be examined, within five working days so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be electronically forwarded to the nodal officer in SEBI and FIU-IND. The proposed designee, as mentioned above would be treated as designated individuals/entities.
- Upon receipt of the requests by these Nodal Officers from the Central [designated] nodal officer for the UAPA, the list would be forwarded to GIRIRAJ STOCK BROKING PRIVATE LIMITED and the procedure shall be followed.
- The freezing orders shall take place without prior notice to the designated persons involved.

✓ Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person

- Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, shall move an application giving the requisite evidence, in writing, to GIRIRAJ STOCK BROKING PRIVATE LIMITED.
- GIRIRAJ STOCK BROKING PRIVATE LIMITED shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the Central [designated] nodal officer for the UAPA as per the contact details given above within two working days.
- The Central [designated] nodal officer for the UAPA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, without delay, unfreezing the funds, financial assets or economic

resources or related services, owned/held by such applicant under intimation to the concerned STCOK exchanges, depositories and GIRIRAJ STOCK BROKING PRIVATE LIMITED. However, if it is not possible for any reason to pass an order unfreezing the assets within five working days, the Central [designated] nodal officer for the UAPA shall inform the applicant expeditiously.

✓ Communication of Orders under section 51A of Unlawful Activities (Prevention) Act.

- All Orders under section 51A of the UAPA relating to funds, financial assets or economic resources or related services, would be communicated to STCOK exchanges, depositories and GIRIRAJ STOCK BROKING PRIVATE LIMITED through SEBI.

✓ Prevention of entry into or transit through India:

- As regards prevention of entry into or transit through India of the designated individuals, the UAPA Nodal Officer in the Foreigners Division of MHA, shall forward the designated lists to the immigration authorities and security agencies with a request to prevent the entry or the transit through India. The order shall take place prior notice to the designated individuals / entities.
- The immigration authorities shall ensure strict compliance of the order and also communicate the details of entry or transit through India of the designated individuals as prevented by them to the UAPA Nodal Officer in the Foreigners Division of MHA.

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2.10. Reporting to Financial Intelligence Unit-India

1. In terms of the PML Rules, GIRIRAJ STOCK BROKING PRIVATE LIMITED is required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

   Director, FIU-IND,

   Financial Intelligence Unit-India,

   6th Floor, Hotel Samrat,

   Chanakyapuri,

   New Delhi-110021.

   Website: http://fiuindia.gov.in

2. GIRIRAJ STOCK BROKING PRIVATE LIMITED 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). These documents contain detailed directives on the compilation and manner/procedure of submission of the reports to FIU-IND. The related hardware and technical requirement for preparing reports, the related data files and data structures thereof are also detailed in these documents While detailed instructions for filing all types of reports are given in the instructions part of the related formats, GIRIRAJ STOCK BROKING PRIVATE LIMITED 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.

3. GIRIRAJ STOCK BROKING PRIVATE LIMITED shall not put any restrictions on operations in the accounts where an STR has been made. GIRIRAJ STOCK BROKING PRIVATE LIMITED and its directors, officers and employees (permanent and temporary) shall be prohibited from disclosing ("tipping off") the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/ or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level. It is clarified that the GIRIRAJ STOCK BROKING PRIVATE LIMITED, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if GIRIRAJ STOCK BROKING PRIVATE LIMITED has reasonable grounds to believe that the transactions involve proceeds of crime.

2.11. Designation of officers for ensuring compliance with provisions of PMLA

1. **Appointment of a Principal Officer:** To ensure that GIRIRAJ STOCK BROKING PRIVATE LIMITED properly discharges its legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors.

   Mr. VINAY JAJODIA was appointed as Principal Officer and the same was intimated to the FIU-IND.

   Names, designation and addresses (including email addresses) in case of change in 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU. As a matter of principle, 'Principal Officer' of GIRIRAJ STOCK BROKING PRIVATE LIMITED will be of a sufficiently senior position and is able to discharge the functions with independence and authority.

2. **Appointment of a Designated Director:** In addition to the existing requirement of designation of a Principal Officer, GIRIRAJ STOCK BROKING PRIVATE LIMITED shall also designate a person as a

'Designated Director'. In terms of Rule 2 (ba) of the PML Rules, the definition of a Designated Director reads as under:

"Designated director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes

- the Managing Director or a Whole-Time Director duly authorizes by the Board of Directors if the reporting entity is a company,
- the managing partner if the reporting entity is a partnership firm,
- the proprietor if the reporting entity is a proprietorship firm,
- the managing trustee if the reporting entity is a trust,
- a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and
- such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above."

Mr. VINAY JAJODIA was appointed as Designated Director of GIRIRAJ STOCK BROKING PRIVATE LIMITED and the same has been intimated to the FIU-IND.

- ✓ In terms of Section 13 (2) of the PMLA, the Director, FIU – IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of GIRIRAJ STOCK BROKING PRIVATE LIMITED to comply with any of its AML/CFT obligations.
- ✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED shall communicate the details of the Designated Director, such as, name designation and address to the Office of the Director, FIU – IND.

2.12. Employees' Hiring/Employee's Training/ Investor Education

- ✓ Hiring of Employees

  GIRIRAJ STOCK BROKING PRIVATE LIMITED shall have adequate screening procedures in place to ensure high standards when hiring employees. They shall identify the key positions within its 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.

- ✓ Employees' Training

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GIRIRAJ STOCK BROKING PRIVATE LIMITED will have an ongoing employee training programme so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements shall have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients. It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

- ✓ Investors Education

  Implementation of AML/CFT measures requires GIRIRAJ STOCK BROKING PRIVATE LIMITED 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. There is, therefore, a need for GIRIRAJ STOCK BROKING PRIVATE LIMITED to sensitize its clients about these requirements as the ones emanating from AML and CFT framework.

2.13. Review of Policy

This Policy will be reviewed on periodic basis by the Compliance Officer and Principal officer and if there are any changes made to the policy, the same shall be placed before the Board at its first meeting held after such changes are introduced and the same is made available on our website. For its effectiveness since the person reviewing the policy should be different from the person framing the policy.

2.14. Re-KYC of Clients

- ✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED need to periodically update customer identification documents in their records of account holders to adhere to the KYC norms issued by the extant Market Regulator(s), STCOK Exchange(s), Depositories and other Agencies. Re-KYC is the process of a business for re-identifying and verifying the identity of its existing clients.
- ✓ The objective of the Re-KYC is to identity theft, Prevention of Terrorist Financing, Money Laundering and Financial Fraud. KYC allows to understand the Customer better and manage risks prudently. Re-KYC is mandatory and there is no escaping the paperwork while investing in financial products.

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- ✓ Personal information needs to be provided and has to be signed by the account holder of GIRIRAJ STOCK BROKING PRIVATE LIMITED. The KYC Team is mandated to periodically update its Client's identification data including the Client's photograph, a proof of identity, a NRI status proof and a proof of address. The KYC updation of the Clients shall be done once in every 2 years even if there is no change in the identity or address of the Client.

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2.15. Other principles

GIRIRAJ STOCK BROKING PRIVATE LIMITED shall ensure the following:

- ✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED shall ensure that the content of these Directives are understood by all staff members
- ✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED will regularly review the policies and procedures on the prevention of ML and TF on an annual basis to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures
- ✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED will adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF
- ✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED will undertake client due diligence ("CDD") measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction
- ✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- ✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED will develop staff members' awareness and vigilance to guard against ML and TF.
- ✓ Role of Internal Audit and Compliance Function to ensure compliance with the Policies
- ✓ The Internal Audit function and compliance function should work in coordination to identify the non-compliance with the Provisions of PMLA and ensure compliance

[Annexure 1]

SEBI Directives on Online KYC Process

SEBI vide Circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated April 24, 2020 informed regarding Clarification on Know Your Client (KYC) Process and Use of Technology for KYC.

SEBI held discussions with various market participants and based on their feedback and with a view to allow ease of doing business in the securities market, it has been decided to make use of following technological innovations which can facilitate online KYC. In order to enable the Online KYC, Client's KYC can be completed through online / App based KYC, in-person verification through video, online submission of Officially Valid Document (OVD) / other documents under eSign, in the following manner:

- ✓ The client visits the website/App/digital platform of GIRIRAJ STOCK BROKING PRIVATE LIMITED and fills up the online KYC form and submits requisite documents online.
- ✓ The name, photograph, address, mobile number, email ID, Bank details of the client shall be captured online and OVD / PAN / signed cancelled cheque shall be provided as a photo / scan of the original under eSign and the same shall be verified as under:
  - Mobile and email is verified through One Time Password (OTP) or other verifiable mechanism. The mobile number/s of client accepted as part of KYC should preferably be the one seeded with Aadhaar. (GIRIRAJ STOCK BROKING PRIVATE LIMITED shall ensure to meet the requirements of the mobile number and email as detailed under SEBI circular no. CIR/MIRSD/15/2011 dated August 02,2011)
  - Aadhaar is verified through UIDAIs authentication / verification mechanism. Further, in terms of PML Rule 9 (16), every GIRIRAJ STOCK BROKING PRIVATE LIMITED shall, where the client submits his Aadhaar number, ensure that such client to redact or blackout his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required under sub-rule (15). GIRIRAJ STOCK BROKING PRIVATE LIMITED shall not store/ save the Aadhaar number of client in their system. e-KYC through Aadhaar Authentication service of UIDAI or offline verification through Aadhaar QR Code/ XML file can be undertaken, provided the XML file or Aadhaar Secure QR Code generation date is not older than 3 days from the date of carrying out KYC. In terms of SEBI circular No. CIR/MIRSD/29/2016 dated January 22, 2016 the usage of Aadhaar is optional and purely on a voluntary basis by the client.
  - PAN is verified online using the Income Tax Database.

- Bank account details are verified by Penny Drop mechanism or any other mechanism using API of the Bank. (Explanation: based on bank details in the copy of the cancelled cheque provided by the client, the money is deposited into the bank account of the client to fetch the bank account details and name.) The name and bank details as obtained shall be verified with the information provided by client.
- Any OVD other than Aadhaar shall be submitted through DigiLocker / under eSign mechanism.

✓ In terms of Rule 2 (d) of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (PML Rules) "Officially Valid Documents" means the following:

- the passport,
- the driving licence,
- proof of possession of Aadhaar number,
- the Voter's Identity Card issued by Election Commission of India,
- job card issued by NREGA duly signed by an officer of the State Government and
- the letter issued by the National Population Register containing details of name, address, or any other document as notified by the Central Government in consultation with the Regulator.

✓ Further, Rule 9(18) of PML Rules states that in case OVD furnished by the client does not contain updated address, the document as prescribed therein in the above stated Rule shall be deemed to be the OVD for the limited purpose of proof of address.

✓ PML Rules allows a client to submit other OVD instead of PAN, however, in terms of SEBI circular No. MRD/DoP/Cir- 05/2007 dated April 27, 2007 the requirement of mandatory submission of PAN by the client for transaction in the securities market shall continue to apply.

✓ Once all the information as required as per the online KYC form is filled up by the client, KYC process could be completed as under

- The client would take a print out of the completed KYC form and after affixing their wet signature, send the scanned copy / photograph of the same to GIRIRAJ STOCK BROKING PRIVATE LIMITED under eSign, or
- Affix online the cropped signature on the filled KYC form and submit the same to the GIRIRAJ STOCK BROKING PRIVATE LIMITED under eSign.

✓ The GIRIRAJ STOCK BROKING PRIVATE LIMITED shall forward the KYC completion intimation letter through registered post/ speed post or courier, to the address of the client in cases where

the client has given address other than as given in the OVD. In such cases of return of the intimation letter for wrong / incorrect address, addressee not available etc, no transactions shall be allowed in such account and intimation shall also sent to the STCOK Exchange and Depository.

- ✓ The original seen and verified requirement under SEBI circular no. MIRSD/SE/Cir-21/2011 dated October, 5 2011 for OVD would be met where the client provides the OVD in the following manner:
  - As a clear photograph or scanned copy of the original OVD, through the eSign mechanism, or;
  - As digitally signed document of the OVD, issued to the Digi Locker by the issuing authority.
- ✓ SEBI vide circular no. MIRSD/Cir- 26 /2011 dated December 23, 2011 had harmonized the IPV requirements for the intermediaries. In order to ease the IPV process for KYC, the said SEBI circular pertaining to IPV stands modified as under:
  - IPV/ VIPV would not be required when the KYC of the client is completed using the Aadhaar authentication / verification of UIDAI.
  - IPV / VIPV shall not be required by GIRIRAJ STOCK BROKING PRIVATE LIMITED when the KYC form has been submitted online, documents have been provided through digi Locker or any other source which could be verified online.

Features for online KYC App of the GIRIRAJ STOCK BROKING PRIVATE LIMITED –

GIRIRAJ STOCK BROKING PRIVATE LIMITED may implement their own Application (App) for undertaking online KYC of client. The App shall facilitate taking photograph, scanning, acceptance of OVD through Digi locker, video capturing in live environment, usage of the App only by authorized person of the GIRIRAJ STOCK BROKING PRIVATE LIMITED. The App shall also have features of random action initiation for client response to establish that the interactions not pre-recorded, time stamping, geo-location tagging to ensure physical location in India etc. is also implemented. GIRIRAJ STOCK BROKING PRIVATE LIMITED shall ensure that the process is a seamless, real-time, and secured, end-to-end encrypted audio visual interaction with the client and the quality of the communication is adequate to allow identification of the client beyond doubt. GIRIRAJ STOCK BROKING PRIVATE LIMITED shall carry out the liveliness check in order to guard against spoofing and such other fraudulent manipulations. The GIRIRAJ STOCK BROKING PRIVATE LIMITED shall before be rolling out and periodically, carry out software and

security audit and validation of their App. The GIRIRAJ STOCK BROKING PRIVATE LIMITED may have additional safety and security features other than as prescribed above.

Feature for Video in Person Verification (VIPV) for Individuals –

To enable ease of completing IPV of a client, GIRIRAJ STOCK BROKING PRIVATE LIMITED may undertake the VIPV of an individual client through their App. The following process shall be adopted in this regard:

- ✓ GIRIRAJ STOCK BROKING PRIVATE LIMITED through their authorized official, specifically trained for this purpose, may undertake live VIPV of an individual client, after obtaining his/her informed consent. The activity log along with the credentials of the person performing the VIPV shall be stored for easy retrieval.
- ✓ The VIPV shall be in a live environment.
- ✓ The VIPV shall be clear and still, the client in the video shall be easily recognizable and shall not be covering their face in any manner.
- ✓ The VIPV process shall include random question and response from the client including displaying the OVD, KYC form and signature or could also be confirmed by an OTP.
- ✓ The GIRIRAJ STOCK BROKING PRIVATE LIMITED shall ensure that photograph of the client downloaded through the Aadhaar authentication / verification process matches with the client in the VIPV.
- ✓ The VIPV shall be digitally saved in a safe, secure and tamper-proof, easily retrievable manner and shall bear date and time stamping.
- ✓ The GIRIRAJ STOCK BROKING PRIVATE LIMITED may have additional safety and security features other than as prescribed above.

For GIRIRAJ STOCK BROKING PRIVATE LIMITED

GIRIRAJ STOCK BROKING PVT. LTD.

Kuntal Laha

Director

GIRIRAJ STOCK BROKING PVT. LTD.

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