KYC/AML Policy Know Your Customer, Anti-Money Laundering & Surveillance Policy Table of Contents

KYC/AML Policy

1. Preface

2. KYC / AML philosophy of WEALTHMILLS SECURITIES PVT LTD

3. What is Money Laundering?

4. Why know your customer

5. Customer Acceptance policy

6. Customer Identification Procedure

7. Monitoring of Transactions

8. Risk Management

9. Combating Financing of Terrorism

10. Maintenance and Preservation of Records

11. Principal Offer

12. Customer education/Employee's training/hiring

13. Annexures

KYC/AML Policy

PREFACE This Know Your Customer (KYC) and Anti-Money Laundering (AML) Policy (the Policy) has been prepared in accordance Prevention of Money Laundering Act, 2002 (PMLA Act). This Policy also takes into account the provisions of the PMLA Act and other Rules laid down by SEBI, FMC and FIU. As per PMLA, every banking company, financial institution (which includes chit fund company, a cooperative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992) shall 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. For the purpose of PMLA, transactions include:

1. All cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.

2. All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency, such series of transactions within one calendar month.

3. All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as Demat account, security account maintained by the registered intermediary. For the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' need to be considered. "Suspicious transactions" means a transaction whether or not made in cash which to a person acting in good faith – 1. gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or

2. appears to be made in circumstances of unusual or unjustified complexity or

3. appears to have no economic rationale or bonafide purpose. This Policy only supplements the existing SEBI / FIU guidelines relating to KYC/AML and any subsequent guidelines from the date of the Policy on KYC/AML will be implemented immediately, with subsequent ratification by the Board. Extant regulations will at any point in time override this Policy.

1. KYC/AML philosophy of WEALTHMILLS SECURITIES PVT LTD

1.1 The KYC / AML philosophy of WEALTHMILLS SECURITIES PVT LTD is to prevent WEALTHMILLS SECURITIES PVT LTD from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. The objective of this policy is also to enable WEALTHMILLS SECURITIES PVT LTD to know / understand its customers and their financial dealings better which in turn will help WEALTHMILLS SECURITIES PVT LTD to manage its risks prudently.

1.2 It is important that WEALTHMILLS SECURITIES PVT LTD's management views "money-laundering prevention" and "knowing your customer" as part of the risk management strategies and not simply as standalone requirements that are being imposed by legislation/regulators'. Hence the objective of the policy is to –

1. To have a proper Customer Due Diligence (CDD) process before registering clients.

a) As a policy, of the WealthMills Securities PVT LTD, and per the guidelines of regulators we don't accepts any cash transactions

b) To monitor and report suspicious transactions.

c). To discourage and identify money laundering or terrorist financing activities.

e). To take adequate and appropriate measures to follow the spirit of the PMLA.

2. What is Money Laundering?

2.1 Money laundering is the criminal practice of putting ill-gotten gains or dirty money through a series of transactions, so that the funds are cleaned to look like proceeds from legal activities. It is driven by criminal activities and conceals the true source, ownership, or use of funds.

In simple terms money laundering is most often described as the “turning of dirty or black money into clean or white money”. If undertaken successfully, money laundering allows criminals to legitimize "dirty" money by mingling it with "clean" money, ultimately providing a legitimate cover for the source of their income.

Section 3 of the PMLA Act defines money laundering in following words:

“Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering”.

3. Why “Know Your Customer”?

3.1 One of the best methods of preventing and deterring money laundering is a sound knowledge of a customer’s business and pattern of financial transactions. The adoption of procedures by which financial institutions “know their customer” is not only a principle of good business but is also an essential tool to avoid involvement in money laundering.

3.2 WEALTHMILLS SECURITIES PVT LTD shall adopt appropriate KYC procedures and internal controls measures to:

(i) Determine and document the true identity of the customers who establish relationships, open accounts or conduct significant business transactions and obtain basic background information on customers;

(ii) Assess the money laundering risk posed by customers’ expected use of WEALTHMILLS SECURITIES PVT LTD’s products and services;

(iii) Protect WEALTHMILLS SECURITIES PVT LTD from the risks of doing business with any individual or entity whose identity cannot be determined or who refuses to provide information, or who have provided information that contains significant inconsistencies which cannot be resolved after due investigation.

4. Customer Acceptance Policy

4.1 No account shall be opened in anonymous or fictitious / benami name(s). PAN shall be mandatory for each account. Each client shall have one account only.

4.2 The parameters of risk perception 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 shall be captured at the account opening stage to enable categorization of customers into low, medium and high risk. WEALTHMILLS SECURITIES PVT LTD has indicative categories of customers which would fall into low,

medium and high risk categories (refer Annexure 1). The list shall be updated with approvals from Compliance, and Business groups. For the purpose of risk categorization, individuals/entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, shall be categorized as low risk.

Illustrative examples of low risk customers are as follows:

• salaried employees whose salary structures are well defined;

• Government Departments and Government owned companies;

• regulators and statutory bodies; etc.

Customers that are likely to pose a higher than average risk to WEALTHMILLS SECURITIES PVT LTD shall 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. WEALTHMILLS SECURITIES PVT LTD shall apply Customer 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.

4.3 While the profile of the customer is captured in the account opening form, an Customer Due Diligence (CDD) sheet is also prepared at the account opening stage for all accounts (individual / non individual). The CDD sheet is an addendum to the account opening form and captures in further detail the profile of the customer, especially the expected transaction pattern of the account. The CDD sheet is prepared by the sales team based on their discussions and understanding of the customer, but is not required to be signed off by the customer. CDD shall include the following measures –

• Before registering client, obtain Antecedent information. Verify independently information submitted by client but not limited to his identity, registered office address, correspondence address, contact details, occupation, Promoters/Directors, source of income, experience in securities market, PAN no, SEBI registration Number, (if any), MAPIN Number (if any) etc, by verification or original documents or such related processes. In case enhanced CDD is required, generally Retail client have a relationship at the local level with the branch, and in such cases we shall check the local references for client identity and other credit details including those mentioned above or we can refer any other reliable, independent source documents, data or information. This should be approved by Account Opening Team shall open the Client Account after verifying information collected, registration form along with other supporting documents. All new accounts shall be reviewed against negative lists issued by SEBI/FMC, Exchanges and other lists such as OFAC, UN sanctions lists etc.

• In person verification is to be carried out as per the requirements of the regulators. Further check would be done for actual beneficial ownership and control of the particular account. We need to obtain the details with respect to Shareholders, promoters from the non individual clients and wherever possible it has to be verified independently. Also verify the sources of funds for funding the transaction. We shall also take care at the time of settlement regarding nature of transaction, movement/source of transaction, etc. Periodically to ask for clients financial details to determine the genuineness of transaction. Special care would be taken in case of non individual accounts such as corporate, partnership firms etc, where the ownership structure is opaque. In all such cases the accounts would be activated only post approval from the compliance department.

• For this purpose, “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.

• In case, under the extant regulations, a KYC carried out by a third party is allowed to be accepted as a valid KYC for onboarding a client the same shall be accepted provided due process in relation to the same under the regulations are followed.

• For onboarding of NRI / FII / FPI clients, in case there is any connection with any country which has been observed by the FATF to be non compliant with its requirements, the account shall be rejected. which shall mean the following –

o Person has provided a residential / correspondence address of such country

o Directions for the operating of the account are received from the said country

o The POA holder of the account is connected in the above manner what that country

• Ongoing due diligence and scrutiny – We shall to conduct periodic due diligence and scrutiny of client’s transaction and accounts to ensure that transactions are being conducted in knowledge, to find out the risk profile, source of funds, etc. At regular interval, ongoing due diligence and scrutiny needs to be conducted i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the Organization’s knowledge of the client, its business and risk profile, taking into account, where necessary, the customer’s source of funds.

• For all clients applying for trading rights in the futures and options segments, further details as regards their proof of income and source of funds would be required.

4.4 Necessary checks shall be conducted 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. For conducting such reviews, while WEALTHMILLS SECURITIES PVT LTD shall check the lists provided by SEBI/FMC/Exchanges/internally maintained lists, it shall rely primarily on the United Nations list which is available at http://www.un.org/sc/committees/1267/consolist.shtml. The list of FAFT countries is also updated on an ongoing basis to ensure that clients covered under the high risk countries as per the FATF list are not allowed to open accounts through WEALTHMILLS SECURITIES PVT LTD. The compliance team shall be responsible to ensure that the said lists are updated on a daily basis through various sources.

Process wherein the name of the client (new or existing) matches with the negative list

Type of client	What matches with negative list	What is to be done
New	PAN	Reject account
	Name	1. Check the address or any other detail in the SEBI/FMC order. 2. If anything is closely resembling the client in question – Escalate case to compliance officer before opening 3. Compliance team to speak to the client over a recorded line. 4. Take a declaration from the client that he is not the same person. 5. If the client is not cooperating – Not to open the account. 6. If the client provides the documents, onboard the client and place in high risk.
Existing	PAN	Proceed for closure
	Name / Address / Other details	1. Escalate to compliance officer 2. Review past transactions. 3. If the past transactions have shown any similarity to SEBI/FMC order or any alert – Close the account 4. If not – ask the client to provide declaration he is not the same person. 5. If the client is not cooperating – Not to open the account 6. If the client provides the documents, onboard the client and place in high risk

4.5 WEALTHMILLS SECURITIES PVT LTD shall not open an account or shall close an existing account where WEALTHMILLS SECURITIES PVT LTD is unable to apply appropriate customer due diligence measures i.e. WEALTHMILLS SECURITIES PVT LTD is 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 the data / information furnished to WEALTHMILLS SECURITIES PVT LTD. .

4.6 WEALTHMILLS SECURITIES PVT LTD shall apply higher levels of due diligence when an account is operated by a mandate holder or where an account is opened by an intermediary in fiduciary capacity. KYC documents will be taken for both the mandate holder/intermediary in fiduciary capacity and the account holder.

5. Customer Identification Procedure

5.1 Customer identification procedure means verifying the identity of the customer by using reliable, independent source documents, data or information. WEALTHMILLS SECURITIES PVT LTD needs to obtain sufficient information necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of relationship. WEALTHMILLS SECURITIES PVT LTD must also be able to satisfy the regulators that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place.

5.2 WEALTHMILLS SECURITIES PVT LTD shall have in place a comprehensive Customer Identification Procedure which details the various documents that WEALTHMILLS SECURITIES PVT LTD can take as Identity, Address proof for various types of customers (refer Annexure 2). This Customer Identification Procedure document shall be updated with approvals from Compliance, and Business groups, with subsequent ratification by the Board of Directors. However, merely obtaining identification documents for identity, address and signature proof from the customer does not mean that the KYC is complete. KYC means actually knowing the customer, nature of his business and the purposes for which WEALTHMILLS SECURITIES PVT LTD account will be used.

5.3 WEALTHMILLS SECURITIES PVT LTD may ask for periodical updation of customer identification and other data after the account is opened.

7. Monitoring of Transactions

7.1 Ongoing monitoring is an essential element of effective KYC procedures. WEALTHMILLS SECURITIES PVT LTD can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity.

WEALTHMILLS SECURITIES PVT LTD shall have in place a comprehensive transaction monitoring process from a KYC/AML perspective. WEALTHMILLS SECURITIES PVT LTD shall put in place strong transaction alerts which will provide proactive signals on suspicious transactions and possible money laundering. An indicative list of such alerts is provided with this policy. (Annexure 3) WEALTHMILLS

SECURITIES PVT LTD AML monitoring team shall endeavor to update the list based on current understanding of the market scenario and trading patterns followed by clients.

On the basis of criticality of the breach, observation of account behaviour, repetitive breaches, the AML Monitoring Team shall send a query to the concerned Business. Responses would be expected within 7 working days. If the alerts still persist or the AML Monitoring Team is not satisfied with the responses, then the AML query team shall send the query to the Compliance Head for resolution.

WEALTHMILLS SECURITIES PVT LTD shall put in place a system of periodical review of risk categorization of accounts. Such review of risk categorization of customers shall be carried out at a periodicity of not less than once in six months. WEALTHMILLS SECURITIES PVT LTD shall be undertaking a review of all accounts existing as on June 30th and December 31st every year, but which were opened at least six months prior to these two review dates – thus giving a vintage of at least six months to each of the accounts being reviewed.

The review shall be done on the following basis:

Category of Accounts	No of accounts as on June 30th/Dec 31st	Current Risk Categorization	Observation	Recommendation for new Risk Categorization
Non Resident Savings Accounts		High	Account in existence for more than 1 year; no AML queries raised	Medium
Non individual accounts – 1. Trusts 2. CIS 3. Partnership firms 4. Companies where the shareholding structure is complex		High	Existence for more than two (2) years, and no AML queries have been raised / AML queries raised have been satisfactorily resolved	Reduce Risk Categorization to Medium
Non individual accounts – 1. HUF 2. Companies other than above	1.1.1	High / Medium	Existence for more than one (1) year, and no AML queries have been raised / AML queries raised have been satisfactorily	Reduce Risk Categorization by one level (ie High to Medium / Medium to Low)

			resolved	
Others		Medium / Low		Either retain or increase the existing Risk Categorization

In case of any account wherein alerts are observed on a regular basis, the risk categorization would be increased based on the consensus of the AML monitoring team and the compliance officer. Such a review would be done at least once every month.

Special attention is required for all complex, unusually large transactions / patterns which appear to have no economic purpose. The background including all documents, office records and clarifications pertaining to such transactions and their purpose will be-examined carefully and findings will be recorded. Such findings, records and related documents would be made available to auditors and also to SEBI/FMC/Stock Exchanges/FIU-IND/Other relevant authorities, during audit, inspection or as and when required. These records to be preserved for such period of time as required under PMLA 2002 or any rules made thereafter. It would be ensured that record of transaction is preserved and maintained in terms of section 12 of the PMLA 2002 and / or rules made there under and that transaction of suspicious nature or any other transaction notified under section 12 of the act is reported to the appropriate law authority. Further the accounts or financial assets shall be frozen for any particular client in case so required by any regulatory authority upon receiving a notice for the same.

8. **Risk Management**

8.1 The overall responsibility/implementation and adherence of this KYC/AML policy shall lie with the Compliance & Surveillance Unit of WEALTHMILLS SECURITIES PVT LTD.

8.2 The Concurrent / Internal Auditors shall specifically check and verify the application of KYC/AML procedures and comment on the lapses observed in this regard. The reports and compliance in this regard shall also put up before the Audit & Compliance Committee of the Board atleast at quarterly intervals.

9. Combating Financing of Terrorism (CFT)

9.1 WEALTHMILLS SECURITIES PVT LTD shall have a heightened awareness in the system to check for transactions which give rise to a reasonable ground of suspicion that these may involve financing of the activities relating to terrorism.

10. Maintenance of records of transactions / Information to be preserved / Maintenance and preservation of records / Cash and Suspicious transactions reporting to Financial Intelligence Unit-India (FIU-IND)

10.1 Government of India, Ministry of Finance, Department of Revenue, vide its notification dated July 1, 2005 in the Gazette of India, has notified the Rules under the PMLA Act (refer Annexure 4). In terms of the Rules (refer Annexure 5), the provisions of PMLA Act, 2002 came into effect from July 1, 2005. Section 12 of the PMLA, 2002 casts certain obligations on financial institutions in regard to preservation and reporting of customer account information.

10.2 Maintenance of records of transactions

WEALTHMILLS SECURITIES PVT LTD shall have a system of maintaining proper record of all transactions including records of all transactions prescribed under Rule 3 of the Rules, as mentioned below:

(a) all cash transactions of the value of more than Rupees Ten Lakh or its equivalent in foreign currency; (b) all series of cash transactions integrally connected to each other which have been valued below Rupees Ten Lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds Rupees Ten Lakh; (ba) all transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency;

10.3 Information to be preserved WEALTHMILLS SECURITIES PVT LTD shall maintain the following information in respect of transactions referred to in Rule 3 of the Rules including all necessary information specified by the regulator to permit reconstruction of individual transactions in respect of transactions referred to in Rule 3 of the Rules: (a) the nature of the transactions; (b) the amount of the transaction and the currency in which it was denominated; (c) the date on which the transaction was conducted; and (d) the parties to the transaction.

10.4 Maintenance and Preservation of records

10.4.1 WEALTHMILLS SECURITIES PVT LTD shall maintain the records of all transactions including the records containing information in respect of transactions referred to in Rule 3 above. WEALTHMILLS SECURITIES PVT LTD shall take appropriate steps to evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. Further, WEALTHMILLS SECURITIES PVT LTD shall maintain for such number of years as would be required under the PMLA 20002 and rules made there under from the date of transaction between WEALTHMILLS SECURITIES PVT LTD and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

10.4.2 WEALTHMILLS SECURITIES PVT LTD shall ensure that records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN, card, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for such number of years as would be required under the PMLA 20002 and rules made there under after the business relationship is ended. The identification records and transaction data should be made available to the competent authorities upon request.

10.5 Reporting to Financial Intelligence Unit-India

10.5.1 In terms of the Rules, WEALTHMILLS SECURITIES PVT LTD shall report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) in respect of transactions referred to in Rule 3 at the following address:

Director, FIU-IND, Financial Intelligence Unit-India, 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi-110021. Website - http://fiuindia.gov.in/

10.5.2 Suspicious Transaction Reports (STR)

(i) The Suspicious Transaction Report (STR) shall be furnished 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 once a suspicious transaction report is received from a branch or any other office. Such report shall be made available to the competent authorities on request. (ii) While determining suspicious transactions, WEALTHMILLS SECURITIES PVT LTD shall be guided by definition of suspicious transaction contained in the Rules as amended from time to time. (iii) An indicative list of suspicious activities contained is provided along with this policy. (iv) While ensuring that there is no tipping off to the customer at any level, WEALTHMILLS SECURITIES PVT LTD may put restrictions on operations in the accounts where an STR has been made.

11. Principal Officer

11.1 Presently the compliance officer shall be appointed as the principal officer of the Company.

12. Designated Director

12.1 The whole time director in charge of Operations shall be appointed as the designated officer of the Company and details thereof be intimated to FIU consequent to SEBI Circular CIR/MlRSD/112014 dated March 12, 2014.

12. Customer Education / Employee's Training / Employee's Hiring

12.1 Customer Education

Implementation of KYC procedures requires WEALTHMILLS SECURITIES PVT LTD to demand certain information from customer which may be of personal nature or which has hitherto never been called for. This sometimes leads to a lot of questioning by the customer as to the motive and purpose of collecting such information. The Relationship Managers of WEALTHMILLS SECURITIES PVT LTD shall be trained to explain to the customers the regulatory requirements and benefits of adhering to the KYC guidelines and seek co-operation of the customer.

12.2 Employees' Training

WEALTHMILLS SECURITIES PVT LTD shall have an ongoing employee training program so that the members of the staff are adequately trained in KYC/AML procedures and fully understand the rationale behind the KYC/AML policies and implement them consistently.

12.3 Hiring of Employees

KYC norms / AML standards / CFT measures have been prescribed to ensure that criminals are not allowed to misuse WEALTHMILLS SECURITIES PVT LTD infrastructure. It should therefore, be necessary that adequate screening mechanism is put in place by WEALTHMILLS SECURITIES PVT LTD as an integral part of their recruitment / hiring process of personnel.

The Human Resources department of WEALTHMILLS SECURITIES PVT LTD confirms the previous employment details given by the employee with prior employer. Further, WEALTHMILLS SECURITIES PVT LTD account of the employee is compulsorily required to be opened with WEALTHMILLS

SECURITIES PVT LTD, which is subject to the KYC requirements of WEALTHMILLS SECURITIES PVT LTD.

Record generation, maintenance and retention – For the purpose of the record keeping provision, we should ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PML Act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

Records to be maintained 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.

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, Organisation should retain the following information for the accounts of their customers in order to maintain a satisfactory audit trail:

a. the beneficial owner of the account;

b. the volume of the funds flowing through the account; and

c. for selected transactions:

• the origin of the funds;

• the form in which the funds were offered or withdrawn, e.g. cash, cheques, etc.;

• the identity of the person undertaking the transaction;

• the destination of the funds;

• the form of instruction and authority. Organization should ensure that all client and transaction records and information are made available on a timely basis to the competent investigating authorities.

Retention of Records: The following document retention terms should be observed:

a. All necessary records on transactions, both domestic and international, should be maintained at least for such number of years as would be required under the PMLA 2002 and rules made there under from the date of cessation of the transaction.

b. Records on customer identification (e.g. copies or records of official identification documents like PAN card, passports, identity cards, driving licenses or Voter Identity Card or similar documents), account files and business correspondence should also be kept for such number of years as would be required under the PMLA 20002 and rules made there under from the date of cessation of the transaction.

c. Records of the all trading details of the client needs to be stored for such number of years as would be required under the PMLA 20002 and rules made there under

d. Records shall be maintained in hard & soft copies.

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

ANNEXURE 1

Risk Categorisation

RISK CATEGORISATION FOR ACCOUNTS IN THE NAME OF INDIVIDUALS

Type	Recommended Risk Categorisation	Risk Perception
Salaried	Low risk	Source on income is fixed and pattern of entries in the account can be correlated with known sources of income/ expenditure
Senior citizens	Medium / High Risk	Source of income for trading related purposes not known clearly. May be operated by third parties. Will be considered high risk in case operating in F&O
House-wife	Medium / High Risk	Source of income for trading related purposes not known clearly. May be operated by third parties. Will be considered high risk in case operating in F&O
Self EmployedProfessionals/ Businessmen	Low risk (except professionals associated with the film industry who will be categorized as “Medium” risk).	Accounts maintained by Chartered Accountants, Architects, Doctors, Lawyers, Sportsmen, etc.
Non Resident Individuals	Low / Medium risk	Transactions are regulated through AD and the accounts are opened only after IPV. In case an IPV is not performed and we have relied on documentation submitted by the client, the account would be categorised as medium risk.
Politically Exposed Persons resident outside India	High Risk	Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. Branches should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. Front end staff should verify the

		identity of the person and seek information about the sources of funds before accepting the PEP as a customer. Such accounts should be subjected to enhanced monitoring on an ongoing basis. The above norms should also be applied to the accounts of the family members and close relatives of PEPs. Further SHAREKHAN may maintain a
		list of additional accounts as "Designated PEP" The accounts of Politically Exposed Persons resident outside India shall be opened only after obtaining the approval of Business Head. Further, in the event of an existing customer or the beneficial owner of an account subsequently becoming PEP, Business head approval would be required to continue the business relationship and such accounts would be subjected to Customer Due Diligence measures as applicable to the customers of PEP category including enhanced monitoring on an ongoing basis. In such events SHAREKHAN shall be guided by the information provided by the clients or front end teams. NOTE: If any of the above accounts are operated by Power of Attorney (POA) holder/mandate h

NOTE: If any of the above accounts are operated by Power of Attorney (POA) holder/mandate holder, then the account will be categorized as "High Risk".

RISK CATEGORISATION FOR ACCOUNTS IN THE NAME OF NON-INDIVIDUALS

Risk categorization of Non Individual customers can be done basis:

A. Type of Entity

B. Industry;

C. Country of Domicile

A. Type of Entity Type

Type	Recommended Risk Categorisation	Risk Perception
Private Ltd/Public Ltd Companies	Low / Medium / High risk	Depending on the clarity of the shareholding structure and the nature of operations, such companies would be classified. Such classifications shall be decided post the review of the compliance officer
Local Authorities or Public Bodies	Low Risk	They are constituted under Special Acts. Operations are governed by such Acts / Rules
Public Sector Undertakings, Government Departments/ Undertakings, Statutory Corporations	Low Risk	These types of entities are governed by specific Acts, Notifications etc framed by the Government of India or the State Govt and are controlled and run by the Govt.
Mutual Funds/Scheduled Commercial Banks/Insurance Companies/Financial Institutions	Low Risk	These entities are strictly regulated by their respective regulators.
Partnership Firm	Low / Medium / High risk	High risk Depending on the clarity of the shareholding structure and the nature of operations, such entities would be classified. Such classifications shall be decided post the review of the compliance officer
Trusts – Public Charitable Trust	Medium / High Risk	Depending on the clarity of the beneficial ownership and the nature of operations, such entities would be classified. Such classifications shall be decided post the review of the compliance officer
Hindu Undivided Family (HUF)	Medium Risk	These are unregistered bodies and the pattern of entries in the account may not be correlated with known sources of income/ expenditure.
Societies / Associations / Clubs	High Risk (except 'Housing Societies' which will be	These are not highly regulated entities and the pattern of entries

	categorized as “Low” risk)	in the account may not be correlated with known sources of income/ expenditure.
Trusts – Private Trust	High Risk	These may be unregistered trusts and the pattern of entries in the account may not be correlated with known sources of income/ expenditure
Co-operative Banks	High Risk	These are not highly regulated entities.

B & C. Basis Industry and Country of Domicile

Risk Category	Industry	Country of Domicile
High	The Risk categorisation is dependent on industries which are inherently High Risk or may exhibit high cash intensity, as below: Arms Dealer Money Changer Exchange Houses Gems / Jewellery / Precious metals / Bullion dealers (including sub-dealers) Real Estate Agents Construction Offshore Corporation Art/antique dealers Restaurant/Bar/casino/night club Import/Export agents (traders; goods not used for own manufacturing/retailing) Share & Stock broker Finance Companies (NBFC) Transport Operators Auto dealers (used/ reconditioned vehicles/motorcycles) Scrap metal dealers Liquor distributorship Commodities middlemen Co-operative Banks Car/Boat/Plane dealerships/brokers Multi Level Marketing (MLM) Firms	
Medium	None	NA

Low	All other industries	NA

Notes:

1. Higher Risk Categorization derived from either A or B or C shall be the applicable risk categorization for the account.

2. Lowering of risk classification shall be carried out by the Compliance officer in consultation with the CFO. This shall be done only where adequate justifications can be provided and the same are mentioned along with the account opening form.

3. Such justifications shall be reviewed 3 months from the date of account opening / first transaction in order to ensure that the classification is proper.

4. Based on the above categorization the transaction review process will take place.

5. Additionally, in case an account is opened wherein a POA to operate the account is provided to another person. Such accounts shall be placed under the High Risk category.

ANNEXURE 2

CUSTOMER IDENTIFICATION PROCEDURE FOR ACCOUNT OPENING

Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. Based on risk perception, type / entity of customer, segment of customer following features shall be verified with supporting documents obtained from the customers

INSTRUCTIONS/CHECK LIST FOR FILLING KYC FORM

A. IMPORTANT POINTS:

1. Self attested copy of PAN card is mandatory for all clients, including Promoters/Partners/Karta/Trustees and whole time directors and persons authorized to deal in securities on behalf of company/firm/others.

2. Copies of all the documents submitted by the applicant should be self-attested and accompanied by originals for verification. In case the original of any document is not produced for verification, then the copies should be properly attested by entities authorized for attesting the documents, as per the below mentioned list.

3. If any proof of identity or address is in a foreign language, then translation into English is required.

4. Name & address of the applicant mentioned on the KYC form, should match with the documentary proof submitted.

5. If correspondence & permanent address are different, then proofs for both have to be submitted.

6. Sole proprietor must make the application in his individual name & capacity.

7. For non-residents and foreign nationals, (allowed to trade subject to RBI and FEMA guidelines), copy of passport/PIO Card/OCI Card and overseas address proof is mandatory.

8. For foreign entities, CIN is optional; and in the absence of DIN no. for the directors, their passport copy should be given.

9. In case of Merchant Navy NRI's, Mariner's declaration or certified copy of CDC (Continuous Discharge Certificate) is to be submitted.

10. For opening an account with Depository participant or Mutual Fund, for a minor, photocopy of the School Leaving Certificate/Mark sheet issued by Higher Secondary Board/Passport of Minor/Birth Certificate must be provided.

11. Politically Exposed Persons (PEP) are defined as 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.

B. Proof of Identity (POI): - List of documents admissible as Proof of Identity:

1. Unique Identification Number (UID) (Aadhaar)/ Passport/ Voter ID card/ Driving license.

2. PAN card with photograph.

3. Identity card/ document with applicant's Photo, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members; and Credit cards/Debit cards issued by Banks.

C. Proof of Address (POA): - List of documents admissible as Proof of Address: (*Documents having an expiry date should be valid on the date of submission.)

1. Passport/ Voters Identity Card/ Ration Card/ Registered Lease or Sale Agreement of Residence/ Driving License/ Flat Maintenance bill/ Insurance Copy.

2. Utility bills like Telephone Bill (only land line), Electricity bill or Gas bill - Not more than

3 months old. 3. Bank Account Statement/Passbook -- Not more than 3 months old.

4. Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.

5. Proof of address issued by any of the following: Bank Managers of Scheduled Commercial Banks/Scheduled Co-Operative Bank/Multinational Foreign Banks/Gazetted Officer/Notary public/Elected representatives to the Legislative Assembly/Parliament/Documents issued by any Govt. or Statutory Authority.

6. Identity card/document with address, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.

7. For FII/sub account, Power of Attorney given by FII/sub-account to the Custodians (which are duly notarized and/or apostiled or consularised) that gives the registered address should be taken.

8. The proof of address in the name of the spouse may be accepted.

D. Exemptions/clarifications to PAN

(*Sufficient documentary evidence in support of such claims is to be collected.)

1. In case of transactions undertaken on behalf of Central Government and/or State Government and by officials appointed by Courts e.g. Official liquidator, Court receiver etc.

2. Investors residing in the state of Sikkim.

3. UN entities/multilateral agencies exempt from paying taxes/filing tax returns in India.

4. SIP of Mutual Funds upto Rs 50, 000/- p.a. 5. In case of institutional clients, namely, FIIs, MFs, VCFs, FVCIs, Scheduled Commercial Banks, Multilateral and Bilateral Development Financial Institutions, State Industrial Development Corporations, Insurance Companies registered with IRDA and Public Financial Institution as defined under section 4A of the Companies Act, 1956, Custodians shall verify the PAN card details with the original PAN card and provide duly certified copies of such verified PAN details to the intermediary.

E. List of people authorized to attest the documents:

1. Notary Public, Gazetted Officer, Manager of a Scheduled Commercial/ Co-operative Bank or Multinational Foreign Banks (Name, Designation & Seal should be affixed on the copy). 2. In case of NRIs, authorized officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy /Consulate General in the country where the client resides are permitted to attest the documents.

F. 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. 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. • 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. • 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.

G Additional documents to be taken in case clients want to open accounts in F&O / Currency segments –

Obtaining financial information from client trading in derivatives segment:

1. WEALTHMILLS SECURITIES PVT LTD shall review and update periodically client information in the Client Registration Form and are also advised to ensure that client registration details including financial details of the clients are obtained and updated at regular intervals.

2. The member shall collect documentary evidence of financial details provided by the clients who opt to deal in the derivative segment at the time of registration and at the time of annual updation. An illustrative list of documents which the members may collect from its clients (towards documentary evidence of financial details) is as below:

a. Copy of ITR Acknowledgement

b. Copy of Annual Accounts

c. Copy of Form 16 in case of salary income

d. Net worth certificate

e. Salary Slip

f.Bank account statement for last 6 months

g. Copy of demat account Holding statement.

h. Any other relevant documents substantiating ownership of assets.

i. Self declaration along with relevant supporting.

ANNEXURE 3

AN INDICATIVE LIST OF SUSPICIOUS ACTIVITIES

Whether a particular transaction is suspicious or not will depend upon the background details of the client, details of the transactions and other facts and circumstances. Followings are the circumstance, which may be in the nature of suspicious transactions: -

a. Clients whose identity verification seems difficult or clients appears not to co-operate;

b. Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;

c. Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions; d. Substantial increases in business volume without apparent cause;

e. Unusually large cash deposits made by an individual or business;

f. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;

g. Transfer of investment proceeds to apparently unrelated third parties;

h. Off market transactions in the DP account of the clients;

i. High trading activity in the relatively illiquid scrips;

j. Major trading activity in the Z and TtoT category scrips;

k. Options trading / trading in illiquid scrips wherein client has booked unusual profit or loss which does not commensurate with the changes in the prices of underlying security in the cash segment.

l. High exposures taken by client as compared to income levels informed by clients.

m. Unusual transactions by “High risk status” and businesses undertaken by shell corporations offshore banks /financial services, businesses reported to be in the nature of export-import of small items.

1. All exchange alerts shall be reviewed by the surveillance team.

2. In case of any suspicious activity observed

a. Client would be required to provide explanation

b. We may ask clients to provide KYC related information

c. Further documentary evidence such as bank and depository account statements may be called for

d. Post analyzing the documentation the results for the same would be recorded and in case of adverse remarks the same would be informed to the exchanges within 45 days from the alert date, unless suitable extension is taken from the exchange.

3. Quarterly MIS of the number of alerts received, reviewed, pending and escalated would be reported to the Board in the Board Meeting. Reason for pendency beyond the closure date would be explained.

4. The Internal Audit team would be responsible for independent oversight of the compliance with these requirements.

ANNEXURE 5

Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (Amended as of June 2010)

GSR.444(E).- In exercise of the powers conferred by sub-section (1) read with clause (h), clause (i), clause (j) and clause (k) of sub-section (2) of section 73 of the Prevention of Money-laundering Act, 2002 (15 of 2003), the Central Government in consultation with the Reserve Bank of India, hereby makes the following 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 of Banking companies, financial institutions and intermediaries, namely:

1. Short title and commencement

(1) These rules may be called the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Rules, 2005.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. Definitions (1) In these rules, unless the context otherwise requires, -

(a) "Act" means the Prevention of Money-laundering Act, 2002 (15 of 2003);

(b) "client" means a person that engages in a financial transaction or activity with a banking company, or financial institution or intermediary and includes a person on whose behalf the person that engages in the transaction or activity, is acting;

(c) "Director" means the Director appointed under sub-section (1) of section 49 of the Act for the purposes of sections 12 and 13 of the Act;

[ca] "non-profit organization" means any entity or organization that is registered as a trust or a society under the Societies Registration Act, 1860 (21 of 1860) or any similar State legislation or a company registered under section 25 of the Companies Act, 1956 (1 of 1956);

(d) "officially valid document" means the passport, the driving license, the Permanent Account Number (PAN) Card, the Voter's Identity Card issued by the Election Commission of India or any other document as may be required by Banking company, or financial institution or intermediary;

(e) "prescribed value" means the value of transaction prescribed under these rules;

(f) "Principal Officer" means an officer designated by a banking company, financial institution and intermediary, as the case may be;

7[fa) "Regulator" means a person or an authority or a Government which is vested with the power to license, authorize, register, regulate or supervise the activity of banking companies, financial institutions or intermediaries, as the case may be;]

8[(g) "Suspicious transaction" means a transaction referred to in clause (h), including an attempted 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 proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or

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

1["(c) appears to have no economic rationale or bonafide purpose; or

(d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;"]

27[Explanation:- Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist act or by a terrorist, terrorist organization or those who finance or are attempting to financing of terrorism.]

(h) "transaction" includes deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means.

(2) All other words and expressions used and not defined in these rules but defined in the Act shall have the meaning respectively assigned to them in the Act.

3. Maintenance of records of transactions (nature and value)

(1) Every banking company or financial institution or intermediary, as the case may be, 20[shall maintain the record of all transaction including the record of], -

(A) all cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;

(B) 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;

9[(BA) all transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency;"]

2[(C) 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;]

(D) all suspicious transactions whether or not made in cash and by way of :

(i) deposits and credits, withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained by way of :

(a) cheques including third party cheques, pay orders, demand drafts, cashiers cheques or any other instrument of payment of money including electronic receipts or credits and electronic payments or debits, or

(b) travelers cheques, or

(c) transfer from one account within the same banking company, financial institution and intermediary, as the case may be, including from or to Nostro and Vostro accounts, or

(d) any other mode in whatsoever name it is referred to;

(ii) credits or debits into or from any non-monetary accounts such as d-mat account, security account in any currency maintained by Banking company, financial institution and intermediary, as the case may be;

(iii) money transfer or remittances in favour of own clients or non-clients from India or abroad and to third party beneficiaries in India or abroad including transactions on its own account in any currency by any of the following :

(a) payment orders, or

(b) cashiers cheques, or

(c) demand drafts, or

(d) telegraphic or wire transfers or electronic remittances or transfers, or

(e) internet transfers, or

(f) Automated Clearing House remittances, or
(g) lock box driven transfers or remittances, or
(h) remittances for credit or loading to electronic cards, or

(i) any other mode of money transfer by whatsoever name it is called;

(iv) loans and advances including credit or loan substitutes, investments and contingent liability by way of :

(a) subscription to debt instruments such as commercial paper, certificate of deposits, preferential shares, debentures, securitized participation, inter-bank participation or any other investments in securities or the like in whatever form and name it is referred to, or

(b) purchase and negotiation of bills, cheques and other instruments, or

(c) foreign exchange contracts, currency, interest rate and commodity and any other derivative instrument in whatsoever name it is called, or

(d) letters of credit, standby letters of credit, guarantees, comfort letters, solvency certificates and any other instrument for settlement and / or credit support;

(v) collection services in any currency by way of collection of bills, cheques, instruments or any other mode of collection in whatsoever name it is referred to

4. Records containing Information

The records referred to in rule 3 21[shall contain all necessary information specified by the Regulator to permit reconstruction of individual transaction including] the following information :

(a) the nature of the transactions;

(b) the amount of the transaction and the currency in which it was denominated;

(c) the date on which the transaction was conducted; and

(d) the parties to the transaction.

5. Procedure and manner of maintaining information

(1) Every banking company, financial institution and intermediary, as the case may be, shall maintain information in respect of transactions with its client referred to in rule 3 22[*] in accordance with the procedure and manner as may be specified by 10[its Regulator], as the case may be, from time to time.

(2) Every banking company, financial institution and intermediary, shall evolve an internal mechanism for maintaining such information in such form and at such intervals as may be specified by 10[its Regulator], as the case may be, from time to time.

(3) It shall be the duty of every banking company, financial institution and intermediary, as the case may be, to observe the procedure and the manner of maintaining information as specified by 10[its Regulator], as the case may be, under sub-rule (1).

11[6. Retention of Records of Transactions

The records referred to in rule 3 shall be maintained for a period of five years from the date of transactions between the client and Banking company, financial institution or intermediary, as the case may be.]

7. Procedure and manner of furnishing information

(1) Every banking company, financial institution and intermediary, as the case may be, shall communicate the name, designation and address of the Principal Officer to the Director. (2) The Principal Officer shall furnish the information

3[referred to in clauses (A), (B), (BA), (C) and (D) of sub-rule (1) of rule 3] to the Director on the basis of information available with Banking company, financial institution and intermediary, as the case may be. A copy of such information shall be retained by the Principal Officer for the purposes of official record.

(3) Every banking company, financial institution and intermediary may evolve an internal mechanism for furnishing information 24[referred to in clauses (A), (B), (BA), (C) and (D) of sub-rule (1) of rule 3] in such form and at such intervals as may be directed by 12[its Regulator].

(4) It shall be the duty of every banking company, financial institution and intermediary to observe the procedure and the manner of furnishing information 25[*] as specified by 12[its Regulator] under sub-rule (3).

3[8. Furnishing of information to the Director

(1) The Principal Officer of a banking company, a financial institution and an intermediary, as the case may be, shall furnish the information in respect of transactions referred to in 13[clauses (A), (B) and (BA)] of sub-rule (1) of rule 3 every month to the Director by the 15th day of the succeeding month.

(2) The Principal Officer of a banking company, a financial institution and an intermediary, as the case may be, shall furnish the information promptly in writing or by fax or by electronic mail to the Director in respect of transactions referred to in clause (C) of subrule (1) of rule 3 not later than seven working days from the date of occurrence of such transaction

(3) The Principal Officer of a banking company, a financial institution and an intermediary, as the case may be, shall furnish the information promptly in writing or by fax or by electronic mail to the Director in respect of transactions referred to in clause (D) of subrule (1) of rule 3 not later than seven working days on being satisfied that the transaction is suspicious:"] 14[Provided that a banking company, financial institution or intermediary, as the case may be, and its employees shall keep the fact of furnishing information in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 strictly confidential.]

9. Verification of the records of the identity of clients

(1) Every banking company, financial institution and intermediary, as the case may be, shall,

(a) at the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship, and

(b) in all other cases, verify identity while carrying out :

(i) 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

(ii) any international money transfer operations]

28[(1A) Every banking company, financial institution and Intermediary, as the case may be, shall determine whether a client is acting on behalf of a beneficial owner, identify the beneficial owner and take all reasonable steps to verify his identity]

26[Explanation - For the purposes of this sub-rule "beneficial owner" shall mean the natural person who ultimately owns or controls a client and or the person on whose behalf a transaction is being conducted and includes a person who exercise ultimate effective control over a juridical person.]

29[(1B) Every banking company, financial institution and Intermediary, as the case may be, shall exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and where necessary, the source of funds.]

30[(1C) No banking company, financial institution and Intermediary, as the case may be, shall allow the opening of or keep any anonymous account or account in fictitious names or account on behalf of other persons whose identity has not been disclosed or cannot be verified]

31[(1D) When there are suspicions of money laundering or financing of the activities relating to terrorism or where there are doubts about the adequacy or veracity of previously obtained customer identification data, every banking company, financial institution and Intermediary shall review the due diligence measures including verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship, as the case may be] 15[(2) Where the client is an individual, he shall for the purpose of sub-rule (1), submit to Banking company, financial institution and intermediary, as the case may be, 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 of business and financial status of the client as may be required by Banking company or the financial institution or the intermediary, as the case may be : Provided that photograph need not be submitted by a client falling under clause (b) of sub-rule (1).] (3) Where the client is a company, it shall for the purposes of sub-rule (1) submit to Banking company or financial institution or intermediary, as the case may be, 4[one certified copy] of the following documents :

(i) Certificate of incorporation;

(ii) Memorandum and Articles of Association;

(iii) a resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; and

(iv) an officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.

(4) Where the client is a partnership firm, it shall for the purposes of sub-rule (1) submit to Banking company, or the financial institution, or the intermediary 4[one certified copy] of the following documents :

(i) registration certificate;

(ii) partnership deed; and (iii) an officially valid document in respect of the person holding an attorney to transact on its behalf

(5) Where the client is a trust, it shall, for the purposes of sub-rule (1) submit to Banking company, or the financial institution, or the intermediary 4[one certified copy] of the following documents :

(i) registration certificate; (ii) trust deed; and

(iii) an officially valid document in respect of the person holding an attorney to transact on its behalf.

(6) Where the client is an unincorporated association or a body of individuals, it shall submit to Banking company, or the financial institution or the intermediary 5[one certified copy] of the following documents :

(i) resolution of the managing body of such association or body of individuals

(ii) power of attorney granted to him to transact on its behalf;

(iii) an officially valid document in respect of the person holding an attorney to transact on its behalf; and

(iv) such information as may be required by Banking company or the financial institution or the intermediary to collectively establish the legal existence of such an association or body of individuals.

17[(6A) Where the client is a juridical person, Banking company, financial institution and intermediary, as the case may be, shall verify that any person purporting to act on behalf of such client is so authorised and verify the identity of that person.]

18[(7) (i) The regulator shall issue guidelines incorporating the requirements of sub- rules (1) to (6A) above and may prescribe enhanced measures to verify the client's identity taking into consideration type of client, business relationship or nature and value of transactions.

(ii) Every banking company, financial institution and intermediary, as the case may be, shall formulate and implement a Client Identification Programme to determine the true identity of its clients, incorporating requirements of sub-rules (1) to (6A) and guidelines issued under clause (i) above.]

10. Maintenance of the records of the identity of clients

(1) Every banking company or financial institution or intermediary, as the case may be, shall maintain the records of the identity of its clients.

(2) The records of the identity of clients shall be maintained in hard and soft copies in a manner as may be specified by 19[its Regulator] from time to time.

(3) The records of the identity of clients shall be maintained for a period as prescribed under the PMLA 2002 from the date of cessation of the transactions between the client and Banking company or financial institution or intermediary, as the case may be. 32

[Explanation : For the purpose of this rule :-

(i) the expression 'records of the identity of clients' shall include records of the identification data, account files and business correspondence.

(ii) the expression 'cessation of the transactions' means termination of an account or business relationship.]

11. Interpretation

If any question arises relating to the interpretation of these rules, the matter shall be referred to the Central Government and the decision of the Central Government shall be final.

1. Substituted by Rule 2(i) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009. Prior to substitution it read as (g) (c) appears to have no economic rationale or bonafide purpose;

2 Substituted by Rule 2(ii) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2007 for (C) "all cash transactions were forged or

counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;"

3 Substituted by Rule2(iii) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2007 for 8 "Furnishing of information to the Director. The Principal Officer of a banking company, the financial institution and intermediary, as the case may be, shall furnish the information in respect of transactions referred to in rule 3 every month to the Director by the 7th day of the succeeding month other than transactions referred to in clauses (C) and (D) of sub-rule (1) of rule 3 : Provided that information in respect of transactions referred to in clauses (C) and (D) of sub-rule (1) of rule 3 shall be promptly furnished in writing or by way of fax or electronic mail to the Director not later than three working days from the date of occurrence of such transactions."

4 Substituted by Rule 2(iv) (a) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2007 for "three certified copies"

5 Substituted by Rule 2(iv) (b) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2007 for "three copies"

6 Inserted by Rule 2(a) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009

7 Inserted by Rule 2(b) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009

8 Substituted by Rule 2(c) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009. Prior to substitution it read as

(g) "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; or

(d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism

9 Inserted by Rule 3 of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009

10 Substituted by Rule 4 of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009 for "the Reserve Bank of India or the Securities Exchange Board of India or as the case may be"

11 Substituted by Rule 5 of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009 for 6 Retention of records The records referred to in rule 3 shall be maintained for a period of ten years from the date of cessation of the transactions between the client and Banking company, financial institution or intermediary, as the case may be."

12 Substituted by Rule 6 of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009 for "the Reserve Bank of India or the Securities and Exchange Board of India, as the case may be."

13 Substituted by Rule 7 (a) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009 for "clauses (A) and (B)"

14 Inserted by Rule 7 (b) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009

15 Substituted by Rule 8 (a) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009 for

(1) "Every banking company, financial institution and intermediary, as the case may be, shall, at the time of opening an account or executing any transaction with it, verify and maintain the record of identity and current address or addresses including permanent address or addresses of the client, the nature of business of the client and his financial status; Provided that where it is not possible to verify the identity of the client at the time of opening an account or executing any transaction, Banking company, financial institution and intermediary, as the case may be, shall verify the identity of the client within a reasonable time after the account has been opened or the transaction has been executed."

(2) Where the client is an individual, he shall for the purpose of sub-rule

(1) submit to Banking company or the financial institution or the intermediary, as the case may be, one certified copy of an officially valid document containing details of his permanent address or addresses,

current address or addresses, and one copy of his recent photograph and such other documents including in respect of the nature of business and financial status of the client as may be required by Banking company or the financial institution or the intermediary, as the case may be

16 Inserted by Rule 8 (a) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009

17 Inserted by Rule 8 (b) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009

18 Inserted and substituted by Rule 8 (c) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009

> (7) Every banking company, financial institution and intermediary, as the case may be, shall formulate and implement a client identification programme which shall incorporate the requirements of the foregoing sub-rules of this rule, and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients. A copy of the client identification programme shall be forwarded to the Director.

19 Substituted by Rule 9 of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009 for "the Reserve Bank of India"

20 Substituted by Rule 2(a) of Prevention of Money Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2010 for "shall maintain a record of"

21 Substituted by Rule 2(b) of Prevention of Money Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2010 for "shall contain"

22 Omitted by Rule 2(c) of Prevention of Money Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2010. Prior to omission it read as "in hard and soft copies".

23 Substituted by Rule 2(d) (i) of Prevention of Money Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2010 for "referred to in rule 3"

24 Substituted by Rule 2(d) (ii) of Prevention of Money Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2010 for "referred to in rule 3"

25 Omitted by Rule 2 (d) (iii) of Prevention of Money Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2010. Prior to omission it read as "referred to in rule 3".

26 Inserted by Rule 2 (e) of Prevention of Money Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2010.

27 Inserted by Rule 2 (a) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Second Amendment Rules, 2010.

28 Substituted by Rule 2(b) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Second Amendment Rules, 2010. Prior to substitution it read as KYC/AML Policy

> "16[(1A) Every banking company, financial institution and intermediary, as the case may be, shall exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the customer, his business and risk profile.]"

29 Substituted by Rule 2(c) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Second Amendment Rules, 2010. Prior to substitution it read as : "Every banking company, financial institution and intermediary, as the case may be, shall identify the beneficial owner and take all reasonable steps to verify his identity"

30 Substituted by Rule 2(d) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Second Amendment Rules, 2010. Prior to substitution it read as

(1C) No banking company, financial institution or intermediary, as the case may be, shall keep any anonymous account or account in fictitious names.

31 Inserted by Rule 2(e) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Second Amendment Rules, 2010.

32 Inserted by Rule 2(f) of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Second Amendment Rules, 2010.