



**RIKHAV SECURITIES LTD**

Growth, Returns and Security

Member: BSE • NSE • ICEX • DP : CDSL

CIN : U99999MH1995PLC086635

**Prevention of Money Laundering Act, 2002**

**M/s Rikhav Securities Limited**

**Member:-**

BSE

NSE

MSEI

MCX

ICEX

CDSL

Updated — SEBI Master Circular dated 4<sup>th</sup> July 2018 vide circular

**SEBI/HO/MIRSD/DOS3/CIR/P/2018/104**



**Policy framed based on Prevention of Money Laundering Act, 2002, the Rules framed there under and Circulars issued by Regulatory Authorities.****A. Designated Director**

As per the requirement of Prevention of Money Laundering Act, 2002, a Designated Director has been appointed and informed to FIU. Designated Director will ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules.

**B. Principal Officer**

As per the requirement of Prevention of Money Laundering Act, 2002, a Principal Officer has been appointed and informed to FIU. Principal Officer will be responsible for reporting any transactions covered under Prevention of Money Laundering Act, 2002.

**C. Risk Assessment**

We are carrying risk assessment to identify, assess and are taking 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 the various United Nations' Security Council Resolutions (these can be accessed at [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml) and <http://www.un.org/sc/committees/1988/list.shtml>).

By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high risk client we have to apply higher degree of due diligence. In order to achieve this, all clients should be classified in the following category;

High Risk – All special category clients are considered as high risk clients

Medium Risk – Specific clients with medium risk with related to occupation and income details provided.

Low Risk – All other clients are marked as low risk.

**Obtaining Documentation and updating into back- office**

Low Risk : once in three years

Medium Risk : once in two years

High Risk : Annually

**Review of Risk constantly after the On Boarding:** The ongoing risk review can trigger the client's risk to be upgraded based on the following parameters or events.

a. Change of the client relationship from Indian to NRI. The risk would be upgraded to "High"

b. If in future it is known that a client is PEP then apart from seeking permission from the management to continue the relationship, the client should be immediately upgraded to High risk





c. If it is later realized or the existing client is registered as a foreign exchange dealer the client will have to be upgraded to High risk.

d. If a client is residing in a country which has been recently declared by the FATF as a high risk jurisdiction or an existing client moves base into a high risk jurisdiction then naturally in both the cases client will be immediately upgraded to "High" risk.

e. If it is realized by the management that the existing client's reputation is tainted because of a SEBI debarred or any such announcement then the client will be upgraded to "High"

f. On intimation by any employee of the organization that can alert the principal officer based on any news item or an event in the public domain which can lead the risk to be made "High"

g. Customers that are likely to pose a higher than average risk too shall be categorized as high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc. The company 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.

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.

#### **Reliance on third party for carrying out Client Due Diligence (CDD)**

1. We may rely on a third party for the purpose of

(a) Identification and verification of the identity of a client and

(b) 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.

2. 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 we shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

#### **D. Customer Due Diligence**

1. New customer acceptance procedures adopted include following processes:

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 Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed in the United Nations website at <http://www.un.org/sc/committees/1267/consolist.shtml>. Before opening any new account, it will be ensured that the name/s of the proposed customer does not appear in the list. Further, 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 should immediately be intimated to SEBI and FIU-IND





Before opening the client account it is also verified that the client is not a part of the Debarred list. This will help us in not opening any account erroneously of a debarred client or entity. The list used are :

UNSC 1267  
UNSC 1988  
UNSC 2140  
UNSC 2270  
SEBI Debarred List  
Local PEP  
ARBITRATION NSE  
ARBITRATION BSE

**Summarizing the steps of opening the account are as follows :**

Checking for KYC and mandatory information in the form.

In person verification : In-Person-Verification of the clients personally by the dp staff.

Checking of client with screening database consisting of sources mentioned above.

Verification of Pan with Income Tax Database.

To Obtain Aadhaar number as required by the Ministry of Finance gazette notification dated June 1, 2017

(BSE notice no.20170817-36 dated August 17, 2017)

CSC marking.

To verify status of client in KRA Agencies website and compliance at the time of account opening as per SEBI

{KYC (Know Your Client) registration agency} Regulations, 2011,

Dispatch Photocopies of KYC and Welcome Letter on the address mentioned in the account opening form.

Welcome Email along with login details of back office and password to clients designated Email address.

To obtain necessary documents from non-individual clients like shareholding pattern, financial statements for past 2 years, partnership/trust deeds, etc.

- Customer identification and verification depending on nature /status of the customer and kind of transactions that are expected by the customer. Also 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.
- 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.
- False / incorrect identification of documents
- Client should remain present for registration personally
- Compliance with guidelines issued by various regulators such as SEBI, FIU, RBI etc.
- Establishing identity of the client, verification of addresses, phone numbers and other details.
- Obtaining sufficient information in order to identify persons who beneficially own or control the trading account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by entity other than the client
- Verification of the genuineness of the PAN provided by the client such as comparing with original PAN, checking details on the Income tax website etc.
- Checking original documents before accepting a copy.
- Asking for any additional information as deemed fit on case to case basis to satisfy about the Genuineness and financial standing of the client.



- Whether the client has any criminal background, whether he has been at any point of time been associated in any civil or criminal proceedings anywhere.
- Checking whether at any point of time he has been banned from trading in the stock market
- Review of KYC details of all the existing active clients in context to the PMLA 2002 requirements.
- To verify status of client in KRA Agencies website and compliance at the time of account opening as per SEBI {KYC (Know Your Client) registration agency} Regulations, 2011,
- Classification of clients into high, medium or low risk categories based on KYC details, trading activity etc for closer monitoring of high risk categories.
- To Obtain Aadhaar number as required by the Ministry of Finance gazette notification dated June 1, 2017 (BSE notice no.20170817-36 dated August 17, 2017)
- Obtaining of annual financial statements from all clients, particularly those in high risk categories at reasonable intervals.
- In case of non individuals client additional information about the directors, partners, dominant promoters, major shareholders is obtained.
- Verify each account with SEBI debarred entity lists and UNSCR lists on daily basis.
- To update/modify any change in existing client/beneficial owner details/records and obtain required information/documents as per KYC/CDD process.(Point no. C)
- 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.
- Acceptance of e-PAN card for KYC purpose as per SEBI circular number SEBI/HO/IMD/FIIC/CIR/P/2017/068 dated June 30, 2017
- Ongoing due diligence and scrutiny – We shall 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.





**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
<b>Corporate</b>	<ul style="list-style-type: none"> <li>• Copy of balance sheets for the last 2 financial years (to be submitted every year).</li> <li>• 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).</li> <li>• Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations.</li> <li>• Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly.</li> <li>• Copies of the Memorandum and Articles of Association and certificate of incorporation.</li> <li>• Copy of the Board Resolution for investment in securities market.</li> <li>• Authorised signatories list with specimen signatures</li> </ul>
<b>Partnership firm</b>	<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> </ul>



	<ul style="list-style-type: none"> <li>• Certificate registration (for registered partnership firms only).</li> <li>• Copy of partnership deed.</li> </ul>
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	<ul style="list-style-type: none"> <li>• Authorised signatories list with specimen signatures.</li> <li>• Photograph, POI, POA, PAN of Partners.</li> </ul>
<b>Trust</b>	<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>• Certificate of registration (for registered trust only).</li> <li>• Copy of Trust deed.</li> <li>• List of trustees certified by managing trustees/CA.</li> <li>• Photograph, POI, POA, PAN of Trustees.</li> </ul>
<b>HUF</b>	<ul style="list-style-type: none"> <li>• PAN of HUF</li> <li>• Deed of declaration of HUF/ List of coparceners.</li> <li>• Bank pass-book/bank statement in the name of HUF.</li> <li>• Photograph, POI, POA, PAN of Karta.</li> </ul>
<b>Unincorporated association or a body of individuals</b>	<ul style="list-style-type: none"> <li>• Proof of Existence/Constitution document.</li> <li>• Resolution of the managing body &amp; Power of Attorney granted to transact business on its behalf.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>



<b>Banks/Institutional Investors</b>	<ul style="list-style-type: none"> <li>• Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
<b>Foreign Institutional Investors (FII)</b>	<ul style="list-style-type: none"> <li>• Copy of SEBI registration certificate.</li> </ul>

	<ul style="list-style-type: none"> <li>• Authorized signatories list with specimen signatures.</li> </ul>
<b>Army/ Government Bodies</b>	<ul style="list-style-type: none"> <li>• Self-certification on letterhead.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
<b>Registered Society</b>	<ul style="list-style-type: none"> <li>• Copy of Registration Certificate under Societies Registration Act.</li> <li>• List of Managing Committee members.</li> <li>• Committee resolution for persons authorised to act as authorised signatories with specimen signatures.</li> <li>• True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.</li> </ul>





## **E. Clients of special category (CSC)**

- i. Non resident clients,
- ii. High net-worth clients,
- iii. Trust, Charities, NGOs and organizations receiving donations,
- iv. Companies having close family shareholdings or beneficial ownership,
- vi. Politically exposed persons (PEP). Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.
- Vi. Companies offering foreign exchange offerings,
- vii. Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent,
- viii. Non face to face clients,
- ix. Clients with dubious reputation as per public information available etc.

**NRI:** All NRI accounts will be marked.

**High Networth Clients:** High networth clients could be classified if at the account opening stage or during the course of the relationship, it is realized that the clients investments or the appetite for investment is high.

**Trust, Charity and NGOs:** Both public as well private, registered as well non registered trust will have to be classified in the special category. Any Charitable or Non government organization or a no Profit Organization will be also classified herein.

**Close family shareholdings or Beneficial Ownership:** In case of close family shareholdings the objective is to understand whether the beneficiaries of two or more accounts, which may also be opened at different times are same, then both need to be marked under this special category.

**Politically Exposed Persons:** In case PEPs care is taken will opening the account as the same is opened only after opening account with the consent of the senior management and all the required documents are collected.

**Company offering foreign Exchanges:** At the account opening stage if it is to our knowledge that the individual or the entity is registered foreign exchange dealer, then the same may be categorized.

**Client in High Risk Country:** We avoid opening any account received from client who was residing in a high risk jurisdiction and may have investment proceeds which may have also originated from these counties.

**Client with dubious Public Reputation:** If a clients' reputation during the opening of the account or post opening the account is known to be not good, then the same is marked in this special category.



**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 transfer operations

Identify the beneficial owner and take all reasonable steps to verify his identity ongoing due diligence with respect to the business relationship with every client and examine the transactions in order to ensure that the same is consistent with closely knowledge of the customer, his business and risk profile.

Member shall keep any anonymous account or account in fictitious names

**2. For existing clients processes include:**

- Review of KYC details of all the existing active clients in context to the PMLA 2002 requirements.
- Classification of clients into high, medium or low risk categories based on KYC details, trading activity etc for closer monitoring of high risk categories.
- Obtaining of annual financial statements from all clients, particularly those in high risk categories.
- In case of non individuals client additional information about the directors, partners, dominant promoters, and major shareholders is obtained.

**E. Risk based approach:**

- Following Risk based KYC procedures are adopted for all clients:
- Large number of accounts having a common account holder
- Unexplained transfers between multiple accounts with no rationale
- Unusual activity compared to past transactions
- Doubt over the real beneficiary of the account
- Payout/pay-in of funds and securities transferred to /from a third party
- Off market transactions especially in illiquid stock and in F & O, at unrealistic prices
- Large sums being transferred from overseas for making payments
- Inconsistent with the clients' financial background

**F. Clients of special category (CSC)**

- Non resident clients,
- High net-worth clients,
- Trust, Charities, NGOs and organizations receiving donations,
- Companies having close family shareholdings or beneficial ownership,
- Politically exposed persons (PEP). Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The additional norms applicable to PEP as contained in the subsequent clause 5.5 (Page 19 of the Master Circular) 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 or which do not or insufficiently apply FATF standards, 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,
- Non face to face clients,
- Clients with dubious reputation as per public information available etc.
- Where the client is a juridical person, verify that any person purporting to act on behalf of such client is so authorized and verify the identity of that person

#### **G. Monitoring & Reporting of Suspicious Transactions:**

“Suspicious transaction” means a transaction whether or not made in cash, which to a person acting in good faith -

- gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- appears to be made in circumstances of unusual or unjustified complexity; or
- appears to have no economic rationale or bonafide purpose; or
- gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;’.

Ongoing monitoring of accounts which includes :

- Identification and detection of apparently abnormal transactions.
- Generation of necessary reports/alerts based on clients’ profile, nature of business, trading pattern of clients for identifying and detecting such transactions. These reports/alerts are analyzed to establish suspicion or otherwise for the purpose of reporting such transactions.

#### **Alerts generated by AML system ( Eq/Der)**

**Parameters available on the Dashboard / Reports:** Following are the parameters / nature of alerts / reports / scenarios available:

- Group Parameter (Client Scrip Concentration).
- Group Parameter (Client Exchange Volume )
- Group parameter (Client Purchase to Income)
- Group parameter (Synchronized Trading)
- Group parameter (Client Net Sell)
- Group parameter (Money Flow In)
- Group parameter (Money Flow Out)

#### **• Exchange given Broking alerts**

Sr. no.	Transactional Alerts	Segment
1	Significantly increase in client activity	Cash
2	Sudden trading activity in dormant account	Cash
3	Clients/Group of Client(s), deal in common scrips	Cash
4	Client(s)/Group of Client(s) is concentrated in a few illiquid scrips	Cash



5	Client(s)/Group of Client(s) dealing in scrip in minimum lot size	Cash
6	Client / Group of Client(s) Concentration in a scrip	Cash
7	Circular Trading	Cash
8	Pump and Dump	Cash
9	Wash Sales	Cash & Derivatives
10	Reversal of Trades	Cash & Derivatives
11	Front Running	Cash
12	Concentrated position in the Open Interest / High Turnover	Derivatives
13	Order book spoofing i.e. large orders away from market	Cash

- **DP Alerts**

- 1) fiu1 :- Details of debit and credit transactions due to Off-market or Inter-depository transfers.
- 2) fiu2 :- Details of debit and credit transactions due to demat, remat and pledge
- 3) fiu3 :- Details of debit and credit
- 4) fiu4 :-Details of Off-market transaction (within CDSL or Inter-depository)
- 5) fiu5 :- Any debit transaction in a dormant account
- 6) Off\_ Market\_ Multiple\_ Counterparty :- FIU transactions involving multiple counterparties
- 7) Off\_ Market\_ Multiple \_Clients :- FIU transactions involving one counterparty with multiple clients

#### **Action for SEBI debarred entities**

If any person's/ entity name appears on SEBI debarred list and that person is our client, we immediately stop the trading of those clients.

#### **Following parameters are used:**

- Clients whose identity verification seems difficult or clients appear not to cooperate
- Substantial increase in activity without any apparent cause
- Large number of accounts having common parameters such as common partners / directors / promoters / address / email address / telephone numbers / introducers or authorized signatories;
- Transactions with no apparent economic or business rationale
- Sudden activity in dormant accounts;
- Source of funds are doubtful or inconsistency in payment pattern;
- Unusual and large cash deposits made by an individual or business;
- Transfer of investment proceeds to apparently unrelated third parties;
- Multiple transactions of value just below the threshold limit of Rs 10 Lakh specified in PMLA so as to avoid possible reporting;





- Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- Purchases made on own account transferred to a third party through off market transactions through DP Accounts;
- Suspicious off market transactions;
- Large deals at prices away from the market.
- Accounts used as 'pass through'. Where no transfer of ownership of securities or trading is occurring in the account and the account is being used only for funds transfers/layering purposes.
- All transactions involving receipts by non-profit organizations of value more than rupees ten lakh, or its equivalent in foreign currency;
- 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 'Clients of Special Category'. Such clients should 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.
- Irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, file STR if we have reasonable grounds to believe that the transactions involve proceeds of crime."

#### **H. Reporting of Suspicious Transactions:**

- All suspicious transactions will be reported to FIU. Member 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.
- 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 should be made available to auditors and also to SEBI /Stock Exchanges/FIU-IND/Other relevant Authorities, during audit, inspection or as and when required. These records are required to be preserved for **Five years** as is required under PMLA 2002.
- The Principal Officer and related staff members shall have timely access to customer identification data and other CDD information, transaction records and other relevant information. The Principal Officer shall have access to and be able to report to senior management above his/her next reporting level or the Board of Directors.

#### **I. Ongoing training to Employees:**

- Importance of PMLA Act & its requirement to employees through training.
- Ensuring that all the operating and management staff fully understands their responsibilities under PMLA for strict adherence to customer due diligence requirements from establishment of new accounts to transaction monitoring and reporting suspicious transactions to the FIU.
- Organising suitable training programmes wherever required for new staff, front-line staff, supervisory staff, etc.





**J. System & Procedure for hiring of employees**

- Reference of candidate: - Candidate having reference would be called for the interview. In case of employee having applied through news paper would be called for the interview after scrutinizing his/ her bio data
- Back ground of the candidate: - Background of the employee should be clean & under no circumstances candidate who has left earlier employer due to dispute should be selected.
- Third party verification of candidate: - If necessary third party verification should be done by making phone call.
- Experience: - Candidate should have to appear for the skilled test depending on the exposure.
- Candidate should be aware for PMLA 2002 guidelines. Proper training should be given if he/she is not aware

**K. Audit and Testing of Anti Money Laundering Program.**

The Anti Money Laundering program is subject to periodic audit, specifically with regard to testing its adequacy to meet the compliance requirements. The audit/testing is conducted by Trading Member's own personnel not involved in framing or implementing the AML program. The report of such an audit/testing is placed for making suitable modifications/improvements in the AML program.

**L. Maintenance of record of transactions prescribed under Rule 3 of PML Rules as mentioned below:**

- All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- 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;
- 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;
- All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

**M. Appointment of a Designated Director**

In addition to the existing requirement of designation of a Principal Officer, the registered intermediaries shall also designate a person as a 'Designated Director'. In terms of Rule 2 (ba) of the PMLA Rules, the definition of a Designated Director reads as under.

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

- The Managing Director or a Whole-time Director duly authorized 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 concern,
- 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.

#### **N. Investors Education:**

As the implementation of AML / CFT measures being sensitive subject and requires us to demand and collect certain information from investors which may be of personal in nature or has hitherto never been called for, which information include documents evidencing source of funds / income tax returns / bank records etc. and 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 us to sensitize the clients about these requirements, as the ones emanating from AML and CFT framework. We shall circulate the PMLA Circulars and other specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT program. The same shall also be emphasized on, in the Investor Awareness Programs conducted by us at frequent intervals of time. The importance of the same is also made known to them at the time of opening the Account.

#### **O. Procedure for freezing of funds, financial assets or economic resources or related services**

Member is aware that Under section 51A of Unlawful Activities (Prevention) Act, 1967, 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 Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. The obligations to be followed by intermediaries to ensure the effective and expeditious implementation of said Order has been issued vide SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009, which needs to be complied with scrupulously.

#### **P. Identification of Beneficial Ownership**

##### **A. For clients other than individuals or trusts:**

Where the client is a person *other than an individual or trust*, viz., company, partnership or unincorporated association/body of individuals, the intermediary 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.
- In cases where there exists doubt under clause 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 above, the identity of the relevant natural person who holds the position of senior managing official.

**B. For client which is a trust:**

Where the client is a *trust*, the intermediary 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.

**C. Exemption in case of listed companies:**

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

**D. Applicability for foreign investors:**

- Intermediaries dealing with foreign investors' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012, for the purpose of identification of beneficial ownership of the client.

**Q. RECORD KEEPING & RETENTION OF RECORDS**

PMLA stipulates that all relevant documents like AOF and their supporting documents and all instructions for operating the account given by Client or its duly registered Power of Attorney should be maintained at least for a minimum period of 5 years after the account is closed. In cases where the records relate to on-going investigations or transactions that have been a subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed. In view of this, Rikhav Securities Limited shall maintain the records in terms of the provisions of PMLA. The retention period shall be modified on receiving appropriate instructions from any regulatory authority like SEBI, FIU-IND or any other statutory authority.

**R. Others**

This Policy is to be made available to the persons engaged in the Broking / Depository operations for compliance purpose

Clients are to be categorized into low, medium and high risk based on perceived risk depending upon clients background, type of business activity, transaction etc.

The periodicity of updating of documents taken during the client due diligence (CDD) process will be every year

This PMLA policy will be reviewed every half year on the basis of circulars issued by statutory authority from time to time and this updated policy should be approved in the meeting of Board of Directors

All the clauses of this PMLA Policy should be reviewed periodically. Review of policy is to be done by any official other than the official who originally drafted the policy.

This policy is drafted by Mr. Vishal G. Patel and reviewed by Hitesh H. Lakhani dated 16<sup>th</sup> Nov., 2019.

