

# **Unlock Wealth Securities Limited**

14/113, Civil Lines Kanpur -208 001

## **Depository Participant (CDSL) DP ID 061300**

### **PMLA Policy/ Anti Money Laundering Procedures for Compliance of the Prevention of Money Laundering Act, 2002**

Unlock Wealth Securities Ltd. has adopted written procedures to implement the anti money laundering provisions as envisaged under the PMLA for its depository services activities which is hereinafter called as DP. Such procedures include inter alia, the following three specific parameters which are related to the overall '**Client Due Diligence Process**':

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

#### **1. Client Due Diligence (CDD)**

1. The CDD measures comprise the following:

(a) Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party is identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

(b) Verify the client's identity using reliable, independent source documents, data or information;

(c) Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted;

(d) Verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c);

(e) Understand the ownership and control structure of the client;

(f) Conduct ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds; and

(g) The Company shall update periodically, at least once in a year and also when the documents are received from beneficial owners under the CDD process.

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

i. The Company shall 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.

ii. 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, the Company shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

## **2. Policy for acceptance of clients:**

Has to establish such client acceptance policies and procedures that aim to identify the types of clients that are likely to pose a higher than average risk of ML or TF, to keep in a better position to apply client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction. In a nutshell, the following safeguards are to be followed while accepting the clients:

a) No account is to be opened in a fictitious / benami name or on an anonymous basis.

b) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters set to enable classification of clients into low, medium and high risk as given below:

- |                |                                     |
|----------------|-------------------------------------|
| 1. Low risk    | : Income below 5 lacs               |
| 2. Medium Risk | : Income between 5 lacs to 10 lacs. |
| 3. High Risk   | : Income above 10 lacs              |

Clients of Special Category (CSC) are also classified below at Para 4.

Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.

c) Documentation of requirements and other information(s) are collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.

d) To ensure that an account is not opened where the intermediary is unable to apply appropriate CDD measures / KYC policies. This is applicable in cases where it is not possible to ascertain the identity of the client, or the information provided to us is suspected to be non genuine, or there is perceived non co-operation of the client in providing full and complete information. We do not continue to do business with such a person and file a suspicious activity report. We also evaluate whether there is suspicious trading in determining whether to freeze or close the account, caution to be taken ensure, not to return securities of money that may be from suspicious trades. It is obligatory on our part to consult the relevant authorities in determining the action to be taken by at our end if it is found suspicious trading.

e) The circumstances under which the client is permitted to act on behalf of another person / entity to be clearly laid down. It will specify in what manner the account is to be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with us, as well as the person on whose behalf the agent is acting are to be laid down. Adequate verification of a person's authority to act on behalf of the client is to be carried out.

f) Necessary checks and balance have to be put into place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide.

(g) The CDD process to be is necessarily revisited when there are suspicions of Money Laundering or Financing of Terrorism (ML/FT).

### **3 Risk-based Approach**

It will be considered that certain clients may be of a higher or medium or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, it is to apply each of the clients due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that we will adopt an enhanced client due diligence process for CSC and high risk category of clients. Conversely, a simplified client due diligence process is to be adopted for low risk category of clients. In line with the risk-based approach, the type and amount of identification information and documents that we have to obtain necessarily depend on the risk category of a particular client.

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

#### **Risk Assessment**

i. The Company shall carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc. The risk assessment shall also take into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under 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>).

ii. 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 selfregulating bodies, as and when required.

#### **4. Clients of Special Category (CSC):**

Such clients include the following –

i. Non resident clients

- ii. High net-worth clients, i.e. clients having securities portfolio.
- iii. Trust, Charities, Non-Governmental Organizations (NGOs) and Organizations receiving Donations
- iv. Companies having close family shareholdings or beneficial ownership
- v. Politically Exposed Persons (**PEP's**) i.e. 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 Para 5 of this Policy are also applied to the accounts of the family members or close relatives of PEPs.
- vi. Companies offering foreign exchange offerings
- vii. Clients in high risk countries where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production, countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, countries against which Government sanctions are applied, countries reputed to be any of the following – Havens/ sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent. While dealing with clients in high risk countries where the existence/effectiveness of money laundering control is suspect, intermediaries apart from being guided by the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website ([www.fatf-gafi.org](http://www.fatf-gafi.org)), shall also independently access and consider other publicly available information.
- viii. Non face to face clients
- ix. Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and we exercise independent judgment to ascertain whether any other set of clients to be classified as CSC or not.

## **5. Client Identification Procedure:**

5.1 The KYC policy clearly spells out the client identification procedure to be carried out at different stages i.e. while establishing the client relationship, while carrying out transactions for the client or when has doubts regarding the veracity or the adequacy of previously obtained client identification data. Compliance to be with the following requirements while putting in place a Client Identification Procedure (**CIP**):

- a) To put in place appropriate risk management systems to determine whether our client or potential client or the beneficial owner of such client is a politically exposed person. Such procedure is to include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPS. Further, the enhanced CDD measures as outlined in Para 5 above is also applicable where the beneficial owner of a client is a PEPs.
- b) To make it a requirement to obtain senior management approval for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, then senior management approval is required to be obtained to continue the business relationship.

- c) Also to take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP”.
- d) The client to be identified by us by using reliable sources including documents / information. We obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- e) The information is adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by us in compliance with the directives. Each original document is to be seen prior to acceptance of a copy.
- f) Failure by prospective client to provide satisfactory evidence of identity to be noted and reported to our higher authority.

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

5.3 We will formulate and implement a CIP which shall incorporate the requirements of the PML Rules Notification No. 9/2005 dated July 01, 2005 (as amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients of the DPs and such other additional requirements that we consider appropriate to enable us to determine the true identity of our clients. PML Rules as amended from time to time to be adhered by us.

5.4 Irrespective of the amount of securities deposited by clients, no minimum threshold or exemption is made available from obtaining the minimum information/documents from clients as stipulated in the PML Rules/SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients. In other words, there is no minimum deposit threshold/ category-wise exemption available for carrying out CDD measures by us. This is to be strictly implemented by us as we understand that non-compliance attracts appropriate sanctions

## **6. Record Keeping**

6.1 We will ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Bye-laws and Circulars of the Company.

6.2 We will maintain such records as are sufficient to permit reconstruction of individual transactions including the amounts & types of currencies involved, if any so as to provide, if necessary, evidence for prosecution of criminal behavior.

6.3 We will ensure that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, we will retain certain records, e.g. client identification, account files, and business correspondence, for periods which may not exceed those required under the SEBI Act, Rules and Regulations framed there-under PMLA, other relevant legislations, Rules and Regulations or bye-laws or circulars of the Company.

## **7. Information to be maintained**

We maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

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

## **8. Retention of Records**

8.1 We have evolved an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PML Rules have to be maintained and preserved for a period of five years from the date of transactions between the client and DP.

8.2 As stated in Para 5, above we will have to formulate and implement the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. The records of the identity of clients have to be maintained and preserved for a period of five years from the date of cessation of transactions i.e. the date of termination of an account or business relationship.

8.3 Thus the following document retention terms are to be observed:

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

(b) Records on client identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence shall also be kept for the same period.

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

## **9. Monitoring of transactions**

9.1 Regular monitoring of transactions is vital for ensuring effectiveness of the AML procedures. This is tried to make possible as we put every effort to understand of the normal activity of the client so that we can identify deviations in transactions / activities.

9.2 The Company shall monitor the transactions vis-à-vis value of securities in the demat a/c of BOs and their income.

The parameters for alerts will be as follows:

1. Low Risk Client  
(Income below Rs.5 lacs) -

Transaction(s) in a day exceed(s) Rs. 2 Crores

2. Medium Risk Client  
(Income between Rs.5 lacs to Rs.10 lacs) -

Transaction(s) in a day exceed(s) Rs. 3 Crores

3. High Risk Client  
(Income above Rs.10 lacs) -

Transaction(s) in a day exceed(s) Rs.5 Crores.

The Company shall pay special attention to transactions which exceed these limits. The background including all documents/office records /memorandums/clarifications shall be sought pertaining to such transactions and shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/Stock Exchanges/FIUIND/ other relevant Authorities, during audit, inspection or as and when required. These records are to be preserved for five years as is required under the PMLA.

9.3 We will ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and those transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU- IND. Suspicious transactions shall also be regularly reported to our higher authorities within the intermediary.

9.4 Further, our compliance cell of the intermediary shall randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.

## **10. Suspicious Transaction Monitoring & Reporting**

10.1 We will ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, we are guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

10.2 A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:

a) Clients whose identity verification seems difficult or clients that appear not to cooperate

- b) Asset management services for clients where the source of the funds used to acquire securities is not clear or not in keeping with clients apparent standing /business activity;
- c) Clients based in high risk jurisdictions;
- d) Substantial increases in business without apparent cause;
- e) Clients transferring large number of securities to or from overseas locations.
- f) Unusual transactions by CSCs.

10.3 Any suspicious transaction shall be immediately notified to our Principal (Money Laundering Control) Officer. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion.

However, it shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall not be told of the report/suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken. The Principal Officer/ (Money Laundering Control) and other compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

10.4 It is likely that in some cases transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. We shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the volume of the transaction.

10.5 Clause 4(vii) above of this policy categorizes clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'CSC'. Such clients are also subjected to appropriate counter measures.

## **11. List of Designated Individuals/Entities**

An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>. We will ensure that accounts are not opened in the name of anyone whose name appears in said list. We continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to SEBI and FIU-IND.

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

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



freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. The obligation of our D.P to ensure the effective and expeditious implementation of said Order and other orders/directive /guidelines issued by FIU , RBI, SEBI and /or other regulatory authority form time to time, need to be complied with scrupulously.

### **13. Reporting to Financial Intelligence Unit-India**

13.1 In terms of the PML Rules, we are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND,  
Financial Intelligence Unit-India,  
6th Floor, Hotel Samrat,  
Chanakyapuri,  
New Delhi – 110 021.  
Website: <http://fiuindia.gov.in>

13.2 As regards the reporting requirements, we adhere to the following in the formats as specified by FIU, for this purpose etc., from time to time:

(a) The Suspicious Transaction Report (**STR**) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer records his reasons for treating any transaction or a series of transactions as suspicious. It is ensured that there is no undue delay in arriving at such a conclusion.

(b) The Principal Officer is responsible for timely submission of CTR and STR to FIU-IND;

(c) Utmost confidentiality is maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address.

(d) No nil reporting is made to FIU-IND in case there is no suspicious transaction.

13.3 We will not put any restrictions on operations in the accounts where an STR has been made. We and our directors, officers and employees (permanent and temporary) are prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/or related information but even before, during and after the submission of an STR. Thus, it is to be ensured that there is no tipping off to the client at any level.

Irrespective of the volume of transactions and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, we shall file STR if we have reasonable grounds to believe that the transactions involve proceeds of crime.

### **14. Designation of officer for ensuring compliance with provisions of PMLA**

#### **14.1 Appointment of Principal Officer**

To ensure that we properly discharge our legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors. Names, designation and addresses (including email addresses) of 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU.

#### **14.2 Appointment of Designated Director**

The company shall also appoint a Designated Director in terms of Rule 2(ba) of the PMLA Rules to ensure overall compliance.

### **15. Employees' Hiring/Employees' Training/ Investors Education**

#### **15.1 Hiring of Employees**

Company shall have adequate screening procedures in place to ensure high standards when hiring employees. We shall identify the key positions within our own organization structures having regard to the risk of money laundering and terrorist financing and the size of our business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

#### **15.2 Employees' Training**

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

#### **15.3 Investors Education**

Company shall take steps to implement AML/CFT measures to demand certain information from investors which may be of personal nature or has hitherto never been called for. Such information can include documents evidencing source of funds/income tax returns/bank records etc. This can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information. Our D.P. official shall sensitize the clients about these requirements as the ones emanating from AML and CFT framework. Our D.P. officials shall prepare specific literature/ pamphlets etc. so as to educate the clients, the objectives of the AML/CFT programme.

### **16. Review of Policy**

#### **16.1 Periodicity of review of Policy**

The Company shall review the policy once in a year.

#### **16.2 Review of policy by officer other than who originally drafted the policy.**

The Board of Directors of the Company shall assign the work of review to one of the Key Managerial Personnel.

**Date: 13.08.2018**