

UPSE SECURITIES LIMITED
PADAM TOWERS, 14/113, CIVIL LINES, KANPUR – 208 001

10.11.2010

Policy and Procedure for Prevention of Money Laundering Act, 2002

To prevent and control Money Laundering, we have appointed Shri Suresh Gupta as a “Principal Officer” in terms of Money Laundering Act, 2002 and the same has been intimated to FIU-DIRECTOR, Delhi.

We have adopted the following four specific parameters, pursuant to the latest SEBI Master circular no. ISD/AML/CIR-1/2008 dated 19-Dec-2008, which are related to the overall ‘Client Due Diligence Process’:

- a) Policy for acceptance of clients
- b) Procedure for identifying the clients of special category
- c) Transaction monitoring and reporting especially Suspicious Transactions Alerts(STA)
- d) Employees’ Hiring / Employee’s Training / Investor Education

(a) Policy for acceptance of clients

We are taking following safeguards while accepting the clients:

We have instructed our account opening section not to open any account in a fictitious / benami name or on an anonymous basis in any circumstances.

We have not been allowing any account to be opened, where it is unable to apply appropriate clients due diligence measures / KYC policies.

We are very careful while accepting clients of special category and we have been regularly updating KYC profile of “clients of special category”. We also closely monitor their trading activities on regular basis.

We have been properly complying documentation requirement and other information in respect of different classes of clients depending on perceived risk and having regard with the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI and SEBI from time to time.

We have not been allowing any client to act on behalf of another person / entity.

We have been taking special caution in case of account opening of NRI, OBC, FIIs etc.

We have categorized the clients as follows :

- (i) Low Risk - Yearly Income below Rs.5.00 lacs.
- (ii) Medium Risk - Yearly Income between Rs.5.00 lacs and Rs.10.00 lacs
- (ii) High Risk - Yearly Income above Rs.10.00 lacs

(b) Procedure for identifying the clients

The 'Know Your Client' (KYC) policy is clearly defined and adopted under the supervision of Principal Officer.

We identify the clients by using reliable sources including documents / information.

We see each original document prior to acceptance of a copy and same is stamped "Verified with the original". The information collected by us is enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by us in compliance with the Guidelines.

We sort out the clients of special category and update the same after detailed analysis of financial information furnished by the client and his trades involving higher volume on daily basis.

To have a mechanism in place to establish identity of client along with firm address proof to prevent opening of accounts which are fictitious, benami in nature

Documents which can be relied upon are

1. PAN card to establish identity of the client.
2. BANK PASSBOOK to verify address proof OR as prescribed in KYC Booklet.

(c) Procedure for transaction monitoring and reporting especially Suspicious Transactions

1. We have been taking close surveillance, where transactions amounting to Rs. 50 lakhs or more, in case of delivery for each client and Rs.2 crore or more in case of jobbing, multiple transactions of value just below the threshold limit of Rs.50 lakhs specified in PMLA so as to avoid possible reporting. The Suspicious client should be subject to enhanced scrutiny of transactions, enhanced relevant reporting mechanism and systemic reporting of financial transactions and apply enhanced due diligence process. We have not been allowing any cash transaction with client. Apart from this there is also proper system to generate, monitor and report the suspicious transactions. We have defined parameters to identify the client of special category and the clients of special category are subject to enhanced due diligence process.

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

1. Gives rise to reasonable ground of suspicion that it may involve proceeds of crime.
2. Appears to be made in circumstances of unjustified or unusual complexity.
3. Appears to have no economic rational or bonafide purpose.

REASON FOR SUSPICION

Whether a particular transaction is actually **suspicious or not** will depend on the background, details of the transactions and other facts and circumstances.

Identity of client

- False identification document
- Identification of document which cannot be verified with in a reasonable time
- Non face to face client
- Client in high risk jurisdiction
- Doubt over real beneficiary of account
- Account opened with name very close to other established business entities

Multiple accounts

- Large number of accounts having common parameter like common partners , directors, promoters, address, email id, telephone number.

Suspicious back ground or link with criminal

Activity in accounts

- Unusual activity compared to past transactions
- Use of different accounts by client alternatively
- Sudden activity in dormant account
- Account used for circular trading

Nature of transaction

- Unusual or unjustified complexity
- No economic bonafide or rational purpose
- Source of fund are doubtful
- Appears to be a case of insider trading
- Purchase made on own account transferred to third party through an off market transaction through DP account
- Transactions reflect likely market manipulation
- Suspicious off market transaction

2. Monitoring of Suspicious Transactions alerts

For monitoring the funds received by the respective clients, we have proper system to get the thorough check by matching the bank details with the data base available with us. If there is any mismatch then we give the credit of the amount only when he updates the bank account details with us and same is updated in our data base also.

For monitoring the large volumes done by the clients, we at the end of day scrutinize and analyze the volumes of each and every client with the help of ledger of the particular trade date and assess his financial capabilities based on the financial information provided by them to us. If there is any discrepancy found then we call the client and take the reasons and source of funds for these trades for our satisfaction.

3. Reporting of Suspicious Transactions alerts

We analyze the Suspicious Transactions alerts in detail and verify whether the same is suspicious or not and there after if the transaction is found suspicious, then the same is recorded in the suspicious transaction register and then the Principal Officer act as a central reference point in facilitating onward reporting of suspicious transactions to FIU-DIRECTOR, New Delhi.

(d) Employees' Training

We have employee training programmes so that the total staffs of our company are completely aware of the provisions of AML procedures and amendments thereof.

(e) Other parameters

Retention of Records

We have observed the following document retention:

- a. We have bound to maintain all necessary records, if any, on transactions at least for the minimum period prescribed under the relevant Act (PMLA, 2002 as well SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars.
- b. We have also bound to kept records, if any, on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence for the same period.

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

Clients of Special Category (CSC):

Such clients include the following-

- a. Non resident clients
- b. High net worth clients,
- c. Trust, Charities, NGOs and organizations receiving donations
- d. Politically exposed persons (PEPs).