



## **OSWAL SHARES & SECURITIES LTD.**

605, Sakar-1, Opp.Nehrubridge, Asharam Road, Ahmedabad -380009.

**OSWAL SHARES & SECURITIES LTD.**, (hereinafter referred to as **OSSL**) had designed this Policy of PMLA and effective AML program to prohibit and actively prevent the money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities or flow of illegal money or hiding money to avoid paying taxes.

This policy provides detailed procedures to be followed to ensure compliance with issues related to **Know Your Client (KYC) Norms, Anti Money Laundering (AML), Client Due Diligence (CCC) And Combatting Financing of Terrorism (CFT)**.

Policy specifies the need for Additional disclosures to be made by the clients to address concerns of Money Laundering and Suspicious transactions undertaken by clients and reporting to **Financial Intelligence Unit (FIU-INDIA)**.

### **MONEY LAUNDERING**

Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets.

### **FINANCIAL INTELLIGENCE UNIT (FIU) INDIA**

The Government of India has set up Financial Intelligence Unit (FIU-India) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister

FIU –India has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspicious financial transactions. FIU India is also responsible for coordination and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

### **THE PREVENTION OF MONEY LAUNDERING ACT, 2002 (PMLA)**

The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July, 2005. Necessary Notifications / Rules under the said Act have been published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance, and Government of India.

As per PMLA, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and Intermediary (which includes a depository participants, stock-broker, sub-broker, commodity 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.

## **ANTI-MONEY LAUNDERING PROGRAM**

The objective of having an AML program is to have in place adequate policies and procedures that help to prevent money-laundering activities. This policy aims to cover trading as well as demat operations of the Rajvi Stock Broking Limited. Such procedures would include the following:

### **PRINCIPLE OFFICER & DIRECTOR DESIGNATED FOR AML PURPOSE**

#### **APPOINTMENT:**

Mr. KALPESH JAVERILAL OSWAL has been appointed as a “Principal Officer and Designated Director” under the provisions of the PMLA till such time SEBI & Stock Exchanges identifies an official to act as such.

#### **ADDRESS:-**

605,Sakar-1,  
Opp. Nehrubrige,  
Ashram Road,  
Ahmedabad - 380009

#### **CONTACT DETAILS:-**

Phone No: - 079-30082041/42/43/44/45/50

Fax No: - 079- 30082048

Email Id: - [kalpesh@oswalshares.com](mailto:kalpesh@oswalshares.com)

#### **RESPONSIBILITIES:-**

- ❖ Compliance of the provisions of the PMLA and AML guidelines and act as a central reference point and play an active role in identification as assessment of potentially suspicious transactions
- ❖ He ensures that RSBL discharge its legal obligations to report suspicious transactions to the concerned authorities.
- ❖ To update the management regarding any changes / additions and modifications in the PMLA provisions.

#### **STRUCTURE OF THIS POLICY:-**

The main aspect of this policy is the Customer Due Diligence process, which means:

- ❖ Obtaining sufficient information about the client in order to identify who is the beneficial owner of the securities or on whose behalf transactions are conducted.
- ❖ Verify the customers, identity using reliable & independent source document, data or information.
- ❖ Conduct ongoing due diligence and scrutiny of the account/client to ensure that the transactions conducted are consistent with the clients background/financial status, its activities and risk profile

### **THE CUSTOMER DUE DILIGENCE PROCESS INCLUDES THREE SPECIFIC PARAMETERS:**

- ❖ Policy for Acceptance of Clients
- ❖ Client Identification Procedure
- ❖ Suspicious Transactions Identification, Monitoring & Reporting

### **CUSTOMER ACCEPTANCE POLICY**

It is essential to make reasonable efforts to determine the true identity of the clients and RSBL shall put in place effective procedures to obtain requisite details for proper identification of new clients.

### **KYC PROCEDURE :-**

- ❖ All KYC documentation and procedures prescribed by the Exchanges and SEBI shall be followed at the time of account opening.
- ❖ Clearly establish the identity of the client, verification of the addresses and other details.
- ❖ All details in the form shall be filled in by the clients without fail
- ❖ Verify the genuineness of the PAN provided by the client by comparing with the original PAN and checking with Income-Tax website before uploading UCC details.
- ❖ Documents shall be accepted as per the checklists given from time to time
- ❖ Verify whether the client is a politically exposed person or is a relative of a politically exposed person.
- ❖ Photocopies submitted by the clients shall be compulsorily verified with original
- ❖ Client account shall not be opened in case the client fails to submit any required documents
- ❖ In-person verification of the client has to be done by the employees, Sub-Brokers or Authorized persons of RSBL
- ❖ Obtain sufficient information in order to identify persons who beneficially own or control the trading & demat account
- ❖ No compromise on submission of mandatory information – Accounts should not be opened where the client Refuses to provide information/documents
- ❖ No account is opened in a fictitious/ benami name or on an anonymous basis

Before client opens an account check whether the clients name matches with names in any of the following lists:

- ❖ Clients Debarred by Regulatory authorities
- ❖ Such other list that may be specified by the Regulators / Compliance Department from time to time

### **RISK CATEGORIZATION**

RSBL shall categorize its clients into high medium, and low risk as per its categorization process and thereafter collect documents and other information from the clients based on the perceived risk in order to achieve the PMLA objective.

Clients should broadly be classified in the following categories

RISK	PARTICULARS
High Risk	Clients which are likely to pose a high risk to OSSLI, may be categorized as high risk. -Clients who have defaulted in the past, -Clients who have a suspicious background -HNIs whose identity and source of wealth are difficult to identify -Politically exposed persons , -Clients of Special Category, -Dormant Account
Medium Risk	Clients which are likely to pose a medium risk to RSBL may be categorized as medium risk. They can be the following: -Where the client profile of the person opening the account is doubtful or dubious. -Where the trading and settlement pattern of the client is suspicious -Intraday clients or speculative client.
Low Risk	Clients who pose low or nil risk. -They are corporate/HNIs who have a respectable social and financial standing. -Clients who fulfill obligations on time.

Initial Risk categorization of all the clients would be done by RSBL at the time of opening of the Client accounts, depending on the financials details/ net-worth declarations and KYC declaration so of the clients given by the clients at time of account opening and regular updates received from the clients and shall be reviewed on an ongoing basis.

Risk assessment of the clients registered and their trading pattern etc. are also done 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

**The Clients / Intermediaries should generally be aware about the following :**

- Clients, are instructed to submit Financial proofs as required by the SEBI/Exchanges -No cash dealings will be undertaken.
- No dealings will be permitted through un-registered intermediaries.
- No business will be transacted with any of the suspended or expelled or defaulting Trading Members. - No business will be undertaken with or for the trading members who are prohibited to transact, including suspended/expelled/ defaulter trading members, defaulting constituents and employees of other trading members.
- No off market deals will be executed.
- Trades executed for a constituent will not be subsequently transferred to another constituent or for own purposes unless and otherwise permitted by the Exchange in genuine cases in Error Code.
- No third party receipt or payment of funds and / or securities shall be permitted.

Any change in the risk profile of the client, has to be ascertained by the concerned officials/Authorized persons, and must report to the Head office immediately. High degree of due diligence shall be applied in respect of clients of special category.

The Principal Officer/Compliance Team may give instructions on risk parameters from time to time.

#### **CLIENTS OF SPECIAL CATEGORY :-**

Due care shall be taken while accepting clients of Special category.

Clients of Special Category include but shall not be limited to the following

- ❖ Non Residents Clients
- ❖ High Net Worth Clients
- ❖ Trust, Charities, Non Government Organizations (NGOs) and Organizations receiving donations
- ❖ Companies having close family shareholdings or beneficial ownership
- ❖ Politically exposed persons (PEP) of foreign origin
- ❖ Companies offering foreign exchange offerings
- ❖ Clients in high risk countries
- ❖ Non face to face clients
- ❖ Clients with dubious reputation as per public information available

#### **TREATMENT OF ACCOUNTS OF CLIENTS OF SPECIAL CATEGORY**

1. NRI: - While opening NRI account utmost care should be exercised. Collect the following documents
  - ❖ PAN Card Copy
  - ❖ Pass Port Copy with date of arrival in case personal visit
  - ❖ Indian & foreign Address Proof
  - ❖ Cancelled cheque copy of NRE A/c, along with PIS permission issued from RBI & Bank statement copy
  - ❖ Client master copy for demat account
  - ❖ FEMA declaration
2. High Net worth Clients:-High Net worth clients could be classified as such if at the account opening stage or during the course of the relationship, it is realized that the client's investments or the appropriate for investment is high.
3. Trust, Charity and NGOs: -Public as well as private, registered as well as unregistered trust will have to be classified in the special category.
4. Politically Exposed Person: - In case of PEPs, the account should be opened only after consent of the senior management and principal officer & all the required documents are collected and client should be marked as PEP in records. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, registered intermediaries shall obtain senior management approval to continue the business relationship.

## CUSTOMER IDENTIFICATION POLICY

The following customer identification norms shall be adhered to in respect of all new clients to establish the identity of the client along with firm proof of address to prevent opening of account which is fictitious/benami/anonymous in nature.

SEBI/Stock Exchanges and other regulatory authorities under which Rajvi Stock Broking Limited is governed from time to time specify various KYC norms/ guidelines that have to be adhered to in order to be able to identify customers. Such norms and guidelines should be followed scrupulously at the time of customer acceptance. Further given below are list of Basic Requirements to be obtained from various types of clients at the time of account opening

### PROOF IDENTITY:

- ❖ Passport
- ❖ Voter ID Card
- ❖ Driving license
- ❖ PAN card with photograph
- ❖ Unique Identification Number (UID) (Aadhar Card)
- ❖ Identity card/document with applicant's Photo, issued by a) Central/State Government and its Departments,  
b) Statutory/Regulatory Authorities, c) Public Sector Undertakings, d) Scheduled Commercial Banks, e) Public Financial Institutions, f) Colleges affiliated to Universities (this can be treated as valid only till the time the applicant is a student), g) Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members, and h) Credit cards/Debit cards issued by Banks.

### PROOF OF ADDRESS

The address of the Client would be verified from one of the following:

- ❖ Ration card,
- ❖ Passport,
- ❖ Voter ID card,
- ❖ Driving license,
- ❖ Bank passbook / Bank Statement,
- ❖ Unique Identification Number (UID) (Aadhar Card)
- ❖ Verified copies of a) Electricity bills (not more than three months old), b) Residence Telephone bills (not more than three months old) and c) Leave and License agreement / Agreement for sale.
- ❖ Self-declaration by High Court & Supreme Court judges, giving the new address in respect of their own accounts.
- ❖ Identity card/document with address, issued by  
a) Central/State Government and its Departments, b) Statutory/Regulatory Authorities, c) Public Sector Undertakings,  
d) Scheduled Commercial Banks, e) Public Financial Institutions, f) Colleges affiliated to Universities (this can be treated as valid only till the time the applicant is a student) and g) Professional Bodies such as ICAI, ICWAI, Bar Council etc., to their Members.

## **SUSPICIOUS TRANSACTIONS IDENTIFICATION, MONITORING & REPORTING**

### **Ongoing Customer Due Diligence**

Any communication in respect of the Client shall be with the Client only. Trade Orders/Instructions shall be accepted from the Client only.

The Employees of RSBL and the Clients shall adhere to the guidelines issued by the RSBL on this regard from time to time.

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 should be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

Conduct ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account 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 etc.

RSBL shall also ensure that the funds/securities are received from a client through his bank account/ demat account registered with RSBL and that payment of fund/securities is made through account payee cheque or direct transfer to the client bank account and client demat account registered with RSBL.

RSBL also carry out the Due Diligence of its client to facilitate effective surveillance mechanisms as per the requirement of the exchanges and review the alerts generated by the exchanges and depository considering the size & nature of the business and volume of transactions.

The process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

## **TRAINING ON PREVENTION OF MONEY LAUNDERING**

RSBL shall provide anti-money laundering training to all its new employees at the time of joining the organization and updates would be provided on periodic basis initially half yearly / yearly basis to its all employees. The training shall review applicable money laundering laws and recent trends in money laundering activities as well as the RSBL's policies and procedures to combat money laundering, including how to recognize and report suspicious transactions.



## MAINTENANCE OF RECORDS

In terms of rules made under the PMLA Act, RSBL shall maintain a record of:

- (a) All suspicious transactions whether or not made in cash;
- (b) 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 and all other details as per PMLA guide line.
- (c) Suspicious records along with the records of the identity of clients shall be maintained and preserved **for a period of Five years** or as may be in force from time to time from the date of cessation of the transaction between the Client and intermediaries

## REPORTING (DISCLOSURE) OF SUSPICIOUS ACTIVITY

The 'Principal Officer' shall report the information relating to suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address as may modify by the SEBI/Exchange from time to time:

Director, FIU-IND, Financial Intelligence Unit-India,  
6th Floor, Hotel Samrat, Chanakyapuri,  
New Delhi – 110021

The reporting requirements and formats to be used are specified by FIU from time to time.

If any employee suspects or has reasonable ground to believe that a customer is involved in money laundering must promptly be reported to the Principal Officer.

It should be ensured that the money pertaining to suspicious trades should not be returned. However, the relevant authorities should be consulted in determining what action should be taken.

### **DUE DATE FOR REPORTING:**

Cash Transaction Report: **15th Day** of the Succeeding month  
Suspicious Transaction Report: **7th Day** of the succeeding month

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.

The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion.

No restrictions should be put on operations in the accounts where an STR has been made. All 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.

## **MISCELLANEOUS**

All employees shall ensure compliance with this policy. It shall be the duty of every Employee/ Business Associate of the RSBL to cooperate with and provide timely disclosure and information to any inspecting authority (either internal or external) including any relevance law enforcement authorities with regard to implementation of this policy.

In addition to this policy all directives issued by SEBI / Exchanges or any other regulatory authority shall be strictly adhered to.