

ABML POLICY ON ANTI MONEY LAUNDERING

Preamble

In terms of the guidelines issued by the Securities Exchange Board of India (SEBI) for both trading and demat accounts on Know Your Customer(KYC) standards and Anti Money Laundering(AML) measures, intermediaries (both brokers and depository participants) are required to put in place a comprehensive policy frame work covering KYC Standards and AML Measures.

This policy document is prepared in line with the SEBI guidelines and incorporate Aditya Birla Money approach to customer identification procedures, customer profiling based on the risk perception and monitoring of transactions on an ongoing basis. The objective of this policy document is to prevent Aditya Brila Money Ltd from being used, intentionally or unintentionally, by criminal elements for money laundering activities and for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to the law enforcement authorities.

Definition of Money Laundering

Section 3 of the Prevention of Money Laundering [PML] Act 2002 has defined the “offence of money laundering” as under:

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

Money launders may use the broking system for cleansing ‘money’ earned through criminal activities with the objective of hiding/disguising its source. The process of money laundering involves creating a web of financial / trading transactions so as to hide the origin and true nature of these funds. Money launders also disguise the true source of funds by investing the funds earned out of terrorist / criminal activities through third party accounts.

Obligations under Prevention of Money Laundering [PML] act 2002

Section 12 of PML Act 2002 places certain obligations on every banking company, financial institution and intermediary which include (i) maintaining a record of prescribed transactions(ii) Furnishing information of prescribed transactions to the specified authority(iii) Verifying and maintaining records of the identity of its clients(iv) Preserving records in respect of (i), (ii), (iii) above for a period of 10 years from the date of cessation of transactions with the clients. These requirements would come into effect after Govt. of India frames rules under the Act.

Policy Objectives

1. To prevent criminal elements from using the Aditya Brila Money Ltd trading / demat system for money laundering activities.
2. To enable Aditya Brila Money Ltd to know / understand its customers and their financial dealings better, which in turn would help Aditya Brila Money Ltd to manage risks prudently.
3. To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.
4. To comply with applicable laws and regulatory guidelines related to anti – money laundering.
5. To take necessary steps to ensure that the concerned staff are adequately trained in KYC/AML procedures.

Scope

This policy is applicable to all branches/offices of Aditya Brila Money Ltd and is to be read in conjunction with related operational guidelines issued from time to time.

Key Elements of the Policy

1. Policy for acceptance of clients
2. Transaction monitoring
3. Reporting
4. Maintenance of records

Policy for acceptance of clients

Aditya Brila Money Ltd should identify the types of customers that are likely to pose a higher than the average risk of money laundering or terrorist financing. By establishing such policies and procedures, Aditya Brila Money Ltd will be in a better position to apply customer due diligence on a risk sensitive basis depending on the type of customer business relationship or transaction.

Factors / Parameters of risk perception (in terms of monitoring suspicious transactions)

1. Clients' location (registered office address, correspondence addresses and other addresses if applicable),
2. Nature of business activity,
3. Trading turnover etc.
4. Manner of making payment for transactions undertaken.

Apart from the above parameters, SEBI guidelines on AML Policy has classified the following clients of high risk / special category for whom risk categories have to be assigned and who shall have to be monitored on an ongoing basis:

1. Non resident clients
2. High networth clients,
3. Trust, Charities, NGOs and organizations receiving donations
4. Companies having close family shareholdings or beneficial ownership
5. Politically exposed persons (PEP)
6. Politically exposed persons (PEP) of foreign origin
7. Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, close advisors and companies in which such individuals have interest or significant influence)
8. Companies offering foreign exchange offerings
9. 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, 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.
10. Non face to face clients
11. Clients with dubious reputation as per public information available etc.

Once the client's background is identified, verification of the customer's identity using reliable, independent source documents, data or information shall be undertaken.

Ensure that an account is not opened where Aditya Brila Money Ltd is unable to apply appropriate clients due diligence measures / KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, information provided to the intermediary is suspected to be non-genuine, perceived non-cooperation of the client in providing full and complete information.

Transaction monitoring:

Regular monitoring of transactions is vital for ensuring effectiveness of the Anti Money Laundering procedures. The following activities / transactions to be monitored on an ongoing basis to enable Aditya Birla Money Ltd to submit periodical CTRs / STRs:

1. Monitor clients having large deposits (in the form of monies – credit in trading accounts and value of shares in base capital) kept with Aditya Birla Money Ltd where the proportion of trading turnover is inconsistent with the deposit of client. Report on monthly trading turnover of the client to be compared with the income /net worth declared and the value of the portfolio of the client available in demat account / base capital.
2. Monitor clients whose monthly turnover is five times his / her / its annual income Monitor transactions in illiquid stocks (B2, Z, & T2T) as a percentage of scripts traded during a period by a client Monitor percentage of illiquid stock traded by a client as a percentage of market turnover of that scrip for NSE/BSE on a daily basis with a consolidation on monthly basis.
3. Monitor multiple client codes with same PAN number
4. Monitor substantial increase in turnover in a dormant account (i.e. account which is inactive for more than six continuous months) without apparent cause.
5. Monitor instances of same address / contact number in case of multiple (more than 10) accounts.
6. Monitor Top 10% clients by volume across segment
7. Monitor 100% of NRI clients by volume (clients of special category)
8. Verification of amounts paid through third party cheques
9. Verification of amounts paid through demand drafts
10. Off – market transfers in dormant accounts

Reporting

Any suspicious transaction should be immediately notified to the Principal Officer or any other designated officer within the intermediary. 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. The following details shall be part of the report:

1. Complete KYC details of client
2. Cumulative Credit Turnover of the client
3. Cumulative Debit Turnover of the client
4. Date of transaction
5. Total number of securities involved
6. Brief note on the transaction

However, it should be ensured that there is continuity in dealing with the client as normal until told otherwise and the client should 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.

Maintenance of records:

The intermediary should ensure a record of transaction is preserved and maintained in terms of section 12 of the PMLA 2002 and that transaction of suspicious nature or any other transaction notified under section 12 of the act is reported to the appropriate law authority.

Suspicious transactions should also be regularly reported to the higher authorities / head of the department.



KYC for the existing accounts

While the KYC guidelines will apply to all new clients, the same should be applied to the existing customers on the basis of materiality and risk. KYC details should be obtained from all existing clients within the time frame specified by SEBI and other regulatory authorities. However, transactions in existing accounts would be continuously monitored for any unusual pattern in the operation of the accounts.

Principal Officer

Principal Officer appointed under AML guidelines, shall with the help of AML team shall monitor all the transactions listed above and shall submit periodical CTRs and STRs.

AML Team

An AML team shall be formed which will monitor the transactions listed above on an ongoing basis, analyze transactions, identify transactions that are suspicious in nature and report the same to the concerned authority through the Principal Officer.

Review of the Policy

The policy will reviewed be at regular intervals or as and when considered necessary by the Board.