

Aditya Birla Money Limited

POLICY ON ANTI MONEY LAUNDERING

Version 1.5

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Preamble

In terms of the guidelines issued by the Securities Exchange Board of India (SEBI) for both trading and demat accounts on Know Your client(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 Limited's approach to client identification procedures, client profiling based on the risk perception and monitoring of transactions on an ongoing basis. The objective of this policy document is to prevent Aditya Birla Money Limited 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:

Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected proceeds of crime including its concealment, possession, acquisition or use and projecting or claiming it as untainted property shall be guilty of offence of money-laundering.

Money launderers 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 launderers 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 5 years from the date of cessation of transactions with the clients.

Policy Objectives

1. To prevent criminal elements from using the Aditya Birla Money Limited trading / demat system for money laundering activities.
2. To enable Aditya Birla Money Limited to know / understand its clients and their financial dealings better, carry out risk assessment to identity, assess and take effective measures to mitigate money laundering,.
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 Birla Money Limited and is to be read in conjunction with related operational guidelines issued from time to time.

Key Elements of the Policy

- **Client Due Diligence**
 - a. Policy for acceptance of clients
 - b. Risk Based approach
 - c. Clients of special Category
 - d. Procedure for identification of clients
- **Record Keeping**
- **Information to be maintained**
- **Retention of Records**
- **Monitoring of transactions**
- **Suspicious Transactions Monitoring and Reporting**
- **Employee Training and Investor Education**

1. Client Due Diligence

Aditya Birla Money Limited obtains sufficient information from client in order to identify the persons who beneficially own or control the trading/demat account. Whenever it is apparent

that the securities acquired or maintained through a trading/demat account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures prescribed by SEBI. 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 an entity.

Verify the client's identity using reliable, independent source documents, data or information as prescribed by SEBI;

Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the entity which effects the transaction as prescribed by SEBI;

Understand the ownership and control structure of the client;

In case of non-individuals other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, identification of the ultimate beneficial owner to be carried out 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:

- i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- iii. 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.

Where no natural person is identified, the identity of the relevant natural person who holds the position of senior managing official.

In case of a trust, Aditya Birla Money Limited shall identify the beneficial owners of the client and take reasonable measures to identify such persons, through the identity of the settlor 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.

In case the client or 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.

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 Aditya Birla Money Limited knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds; and

Aditya Birla Money Limited shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

1.1. Client Acceptance Policy

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

The following criteria should be adopted by employees while opening accounts:

1. Not open accounts in the name of anonymous / fictitious / benami persons
2. Not to open accounts when it is not possible to ascertain the identity of the client, or the information provided by the client is suspected to be non-genuine, or there is perceived non co-operation of the client in providing full and complete information
3. Not to open accounts when identity of the client matches with any person having known criminal background or is banned by SEBI
4. Factors / Parameters of risk perception (in terms of monitoring suspicious transactions)
 1. Clients' location
 2. Nature of business activity,
 3. Trading turnover etc.
 4. Manner of making payment for transactions undertaken.
5. Collect documents from clients as prescribed by SEBI from time to time to establish their identity, location, business activity and financial details to enable classification of clients into low / medium or high.
6. Collect the income/ networth details of the client and the same to be recorded in the appropriate column provided in the client registration form to enable

classification of client and to monitor client transactions based on declared income/ networth.

7. Collect any of the following documents as proof of annual income and / or networth:
 - a. Copy of ITR acknowledgements
 - b. Copy of Annual Accounts
 - c. Copy of Form 16 in case of salary income
 - d. Networth Certificate attested by a Practicing Chartered Accountant
 - e. Salary Slip
 - f. Bank Statement for last six months
 - g. Copy of demat account holding statement
 - h. Any other document substantiating ownership of assets
 - i. Self declaration along with relevant supporting

While collecting the information required to open an account, clients might sometimes, raise questions with regard to the motive and purpose of collecting such information. There is, therefore, a need for employees to sensitize clients about these requirements as the ones emanating from AML and CFT framework and shall educate them about the necessity for sharing the same.

1.2. Risk Based Approach & Assessment

It is generally recognized that certain clients may be of a higher, medium or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, Aditya Birla Money Limited shall apply each of the clients due diligence measures on a risk sensitive basis

Aditya Birla Money Limited shall carry out risk assessment to identify, assess and take effective measures to mitigate risk associated with money laundering and terrorist financing. Risk assessment shall be carried out basis the location, occupation, nature and volume of transactions and payment methods used by clients. UNSCR list and SEBI debarred clients shall be considered for risk assessment.

Based on the above criteria, the clients may be classified into three Money laundering Risk levels

– Low / Medium / High. Some examples of the risk categories are enumerated below:

Low Risk

1. Salaried employees (Government / Private Sector / Public Sector etc.)
2. Government Departments
3. Government Owned Companies,
4. Regulators and
5. Statutory bodies
6. HUF
7. Sole Proprietorship Concern
8. Student
9. Housewife / Homemaker
10. Professionals
11. Retired personnel

Medium Risk

1. Businessmen
2. Listed Companies
3. Partnership Firms

High Risk

1. HNIs
2. Politically Exposed Persons
3. Heads of State or Central Government
4. Ministers of State or Central Government
5. Senior Politicians

6. Important Party Officials

7. Senior Government Officials

8. Senior Military Officers

9. Senior executives of state-owned corporations

10. Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations

11. Non Face to Face Clients

12. Professional Intermediaries like Mutual Funds etc.

13. Companies offering foreign exchange offerings

14. NRI clients

1.3. Clients of Special Category

1. Non-resident clients

2. High Net Worth clients,

3. Trust, Charities, NGOs and organizations receiving donations

4. Companies having close family shareholdings or beneficial ownership

5. Politically exposed persons (PEP) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. Current / Former Head of State, Current or Former Senior High profile politicians and immediate family members of PEP.

6. Companies offering foreign exchange offerings

7. 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.

8. Non face to face clients

9. Clients with dubious reputation as per public information available etc.

1.4. Client Identification Policy

Sufficient information about the client would enable authorities to counter the efforts of laundering the proceeds of crime. In addition to minimizing the risk of being used for illicit activities, adequate KYC information provides protection against fraud enables suspicious activity to be recognized and protects Aditya Birla Money Limited from reputational and financial risks.

Identity of a client is established using the following parameters during client relationship:

1. Name as per PAN / Aadhaar

2. Photograph

3. Proof of Identity documents prescribed by SEBI

4. Date of Birth

5. Address at which a client can be located

6. Proof of address details should be obtained in proper format and as prescribed by Exchanges and SEBI.

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

The identity of the client shall be duly examined to verify as to whether the client or potential client or the beneficial owner of such client is a Politically Exposed Person (PEP). Such procedures include seeking relevant information from the client, referring to publically available information etc. Senior management approval shall be obtained while establishing business relationship with PEP clients, or when a client subsequently becomes a PEP.

The client shall be identified by using reliable sources including documents/ information prescribed to be collated by SEBI to satisfactorily establish the identity of each new client and the purpose of the intended nature of relationship. Each original document shall be seen prior to acceptance of a copy. The information obtained must be adequate enough to satisfy the regulators/authorities in future that the due diligence were observed in compliance with the

directives. The information/documents obtained to ascertain the identity of the client shall be maintained as per the PMLA rules for maintenance of records.

Aditya Birla Money limited shall conduct ongoing due diligence where it notices inconsistencies in the information provided. No exemption shall be available from obtaining minimum information/documents from clients and CDD measures as stipulated by SEBI (as amended from time to time) regarding the verification of the records of the identity of clients

Ensure that an account is not opened where Aditya Birla Money Limited 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.

1.5. Reliance on third party for carrying out Client Due Diligence (CDD)

Aditya Birla Money Limited may rely on a third party for the purpose of identification and verification of the identity of a client, determination of whether client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of identification of beneficial owner. Any identification and verification carried out by a third party (if any) appointed by Aditya Birla Money Limited shall be regulated / supervised and monitored for CDD and record keeping requirements. Such reliance shall be subject to PML Rules and guidelines of SEBI

2. Record Keeping

Aditya Birla Money Limited shall maintain the following information and records for the accounts of their clients to maintain as satisfactory audit trail

(a) the beneficial owner of the account;

(b) the volume of the funds flowing through the account; and

(c) for selected transactions:

- the origin of the funds;
- the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
- the identity of the person undertaking the transaction;
- the destination of the funds;

- the form of instruction and authority

Aditya Birla Money Limited shall ensure that all client and transaction records and information are available on a timely basis to the competent investing authority.

Aditya Birla Money Limited shall maintain proper record of transactions prescribed under PML rules as mentioned below

(i) all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;

(ii) all series of cash transactions integrally connected to each other which have been alued 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;

(iii) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;

(iv) all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

3. INFORMATION TO BE MAINTAINED AND PRESERVED

Aditya Birla Money Limited maintains and preserves the following information in respect of transactions referred

(a) The nature of the transactions;

(b) The amount of the transaction, and the currency in which it is denominated;

(c) The date on which the transaction was conducted; and

(d) The parties to the transaction.

4. Retention of Records

The records pertaining transactions and monitoring transactions of clients the intermediary should ensure a record of transaction is preserved and maintained for a period of five years.

Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of five years after the

business relationship between a client and intermediary has ended or the account has been closed, whichever is later.

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 and other legislations, Regulations or exchange bye-laws or circulars.

Records on client identification, account files and business correspondence shall also be kept for the same period. Records relating to on-going investigations or transaction reporting shall be retained until it is confirmed that the case has been closed.

5. 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 Limited 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 / demat accounts) kept with Aditya Birla Money Limited 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 substantial increase in turnover in a dormant account (i.e. account which is inactive for more than twelve continuous months – both trading and demat accounts) without apparent cause.
3. Monitor Top 10% clients by volume across segment
4. Off – market transfers in dormant demat accounts

Record of transactions is preserved and maintained as per PMLA rule and that the transactions of a suspicious nature or any other transactions notified under PMLA policy are reported to the Director, FIU-IND. Suspicious transactions shall also be regularly reported to the higher authorities within the intermediary.

Aditya Birla Money Limited shall randomly examine the transactions undertaken by the clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not

6. Suspicious Transaction Monitoring & Reporting

Appropriate steps shall be taken to enable suspicious transactions are recognized and reported. Following are few of the circumstances which may be in the nature of suspicious transactions.

- 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 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 sums of money to or from overseas locations with instructions for payment in cash;
- f) Attempted transfer of investment proceeds to apparently unrelated third parties;
- g) Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services, businesses reported to be in the nature of export- import of small items.

Any suspicious transaction should be immediately notified to the 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 for the given financial year or period under verification
3. Cumulative Debit Turnover of the client for the given financial year or period under verification
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. The Suspicious Transaction Report (**STR**) shall be submitted within 7 days of arriving at a conclusion that any transaction, or a series of transactions integrally connected are of suspicious in nature.

7. Furnishing of information to the Director, FIU-IND

The Principal Officer of the intermediary shall furnish the information promptly in writing or by fax or by electronic mail to the Director, FIU-IND, New Delhi in respect of transactions referred not later than seven working days on being satisfied that the transaction is suspicious. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. Utmost confidentiality to be maintained while filing STR to FIU-IND.

Disclosing of information on filing of STR or related information is being reported or provide to FIU-IND is strictly prohibited. The prohibition on disclosing extends not only to the filing of STR and or related information but even before, during and after the submission of an STR at any level except to Exchanges / Statutory Authorities / Regulators / Depositories.

The Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transaction and for playing an active role in the identification and assessment of potentially suspicious transaction.

8. Hiring and Training of Employees

Employees shall be screened at the time of recruitment to ensure high standards when hiring employees. They shall identify their positions and size of their business and ensure that they are suitable and competent to perform their duties.

Aditya Birla Money Limited have an ongoing training programme wherein the staff are adequately trained in AML procedures, thereby they 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.

9. Investor Education

Aditya Birla Money Limited shall 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. Hence in order to sensitize their clients about these requirements as the ones emanating from AML, Aditya Birla Money

Limited shall educate their clients via email/ specific literature/ pamphlets etc. on the objectives of the AML programme

10. Principal Officer

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

Name of the Principal Officer: Mr. Vishwanath Raman

Designation: Head- Operations & Technology

11. Designated Director

Designated Director appointed under AML guidelines, will overview and responsible to comply with AML/CFT obligation from time to time.

Name of the Designated Director- Mr. Tushar Shah

Designation: Designated Director

12. AML Team

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

13. Review of the Policy

The policy will be reviewed basis regulatory changes to the Act or Regulations or as and when considered necessary by the Board or atleast once in a year.