

**Asit C. Mehta Investment Intermediates Limited's (ACMIL) Guidelines On Anti-Money**

**Laundering Standards**

[Prevention of Money Laundering Act, 2002 (PMLA)]

(Present Review Date: April 2025)

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## 1. INTRODUCTION:

1.1 The **Prevention of Money Laundering Act, 2002 (PMLA)** has been effective from July 01, 2005. The Department of Revenue – Ministry of Finance, Government of India published the necessary Notifications and Rules under the Act in the Gazette of India on July 01, 2005.

1.2 As per the 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 **Stock-broker, authorised person**, 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 the securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992 as well as an intermediary registered by the Pension Fund Regulatory and Development Authority) shall have to maintain a records of all the transactions, the nature and value of which has been prescribed in the Rules notified under the PMLA. For the purpose of PMLA, transactions include:

- All cash transactions of the value of more than Rs.10 lakhs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other, which have been valued below Rs.10 lakhs or its equivalent in foreign currency, such series of transactions within one calendar month.
- All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non-monetary account such as demat account, security account maintained by the registered intermediary.

For Suspicious Transactions Reporting (STR) apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered.

1.3 "**Suspicious Transaction**" means a transaction whether or not made in cash, which to a person acting in good faith –

- Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- Appears to be made in circumstances of unusual or unjustified complexity; or
- Appears to have no economic rationale or bona-fide purpose.

1.4 The Anti-Money Laundering guidelines provide a general background on the subjects of money laundering and terrorist financing in India along with guidance on practical implications of the PMLA. The PMLA guidelines set out the steps that a registered intermediary and any of its representatives need to implement to discourage and identify any money laundering or terrorist financing activities.

## **1.5 OBJECTIVE:**

The main objectives of the PMLA are as follows:

1. To have a proper Customer Due Diligence (CDD) process before registering clients.
2. To monitor and maintain records of all cash transactions of the value of more than Rs.10 lacs.
3. To maintain records of all series of integrally connected cash transactions within one calendar month.
4. To monitor and report suspicious transactions.
5. To identify and discourage money laundering or terrorist financing activities.
6. To take adequate and appropriate measures to follow the spirit of the PMLA.

## **2. Definitions**

In these guidelines, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:

- 2.1 "Aadhaar number", shall have the meaning assigned to it under clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, hereinafter referred to as "Aadhaar Act".
- 2.2 "Act / PML Act / PMLA" means the Prevention of Money Laundering Act, 2002.
- 2.3 "Authentication", means the process as defined under clause (c) of section 2 of the Aadhaar Act.
- 2.4 "Central KYC Records Registry" (CKYCR) means an entity defined under clause (ac) of sub rule (1) of Rule 2 of the PML Rules.
- 2.5 "Certified copy" shall mean comparing the copy of officially valid document so produced by the subscriber with the original and recording the same on the copy by the authorised officer of the reporting entity in a manner prescribed by PFRDA.
- 2.6 "Client" shall have the meaning assigned to it under clause (ha) of sub section (1) of Section 2 of the PML Act.
- 2.7 "Client Due Diligence" (CDD) shall have the meaning assigned to it under clause (b) of sub-rule (1) of Rule 2 of the PML Rules.
- 2.8 "Designated Director" shall have the meaning assigned to it under clause (ba) of sub-rule (1) of Rule 2 of the PML Rules.
- 2.9 "Digital KYC" shall have the meaning assigned to it under clause (bba) of sub-rule (1) of Rule 2 of the PML Rules.

- 2.10 "Equivalent e-document" shall have the meaning assigned to it under clause (cb) of sub-rule (1) of Rule 2 of the PML Rules.
- 2.11 "KYC Templates" means templates prepared to facilitate collating and reporting the KYC data to the CKYCR.
- 2.12 "KYC Identifier" shall have the meaning assigned to it under clause (cc) of sub-rule (1) of Rule 2 of the PML Rules.
- 2.13 "KYC Records" shall have the meaning assigned to it under clause (cd) of sub-rule (1) of Rule 2 of the PML Rules.
- 2.14 "Non-face-to-face customers" shall have the same meaning assigned to it under sub clause (ix) of 3(b) of Chapter I of Master Direction – Know Your Customer (KYC) Direction, 2016 issued by Reserve Bank of India (RBI), as amended from time to time.
- 2.15 "Offline verification" shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhar Act.
- 2.16 "On-going Due Diligence" means regular monitoring of transactions to ensure that they are consistent with the subscriber's profile and source of funds.
- 2.17 "Officially valid document" shall have the meaning assigned to it under clause (d) of sub-rule (1) of Rule 2 of the PML Rules.
- 2.18 "Politically Exposed Persons" (PEPs) shall have the same meaning assigned to it under sub clause (xii) of 3(b) of Chapter I of Master Direction – Know Your Customer (KYC) Direction, 2016 issued by Reserve Bank of India (RBI), as amended from time to time.
- 2.19 "Periodic updation" means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by PFRDA.
- 2.20 "Principal Officer" shall have the same meaning assigned to it under clause (f) of sub-rule (1) of Rule 2 of the PML Rules.
- 2.21 "Reporting entity" has the same meaning assigned to it under clause (wa) of sub section (1) of section 2 of the PML Act.
- 2.22 "Rules / PML Rules" means the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.
- 2.23 "Suspicious Transaction" shall have the meaning assigned to it under clause (g) of sub-rule (1) of Rule 2 of the PML Rules.
- 2.24 "Video Based Customer Identification Process (VCIP)" means an alternative (optional) electronic process of Identification/ KYC in paperless form, carried out by the reporting entities by undertaking seamless, secure, real-time with geo- tagging, consent based audio-visual interaction with the subscriber to obtain identification information including the necessary KYC

documents required for the purpose of client due diligence and to ascertain the veracity of the information furnished by the subscriber.

2.25 "Subscriber" shall have the meaning as per clause (t) of sub-section (1) of section 2 of the PFRDA Act. In these guidelines, the phrase Subscriber, Customer and Client has been used interchangeably and shall be considered to have the same meaning.

2.26 Words and expressions used and not defined in these guidelines but defined in the Pension Fund Regulatory and Development Authority Act, 2013, the PML Act, the PML Rules, the Aadhaar Act, Unlawful Activities (Prevention) Act, 1967 shall have the meanings respectively assigned to them in those Acts, Rules, Regulations, Guidelines issued under those Acts, as the case may be.

### **3. Background**

Asit C. Mehta Investment Intermediates Ltd (ACMIIL), an intermediary registered under SEBI and PFRDA, is required to comply with the spirit of anti-money laundering provisions. To comply with PMLA, ACMIIL shall observe the following parameters:

1. Communication of group policies
2. Client/Customer Due Diligence comprising of
  - a) Policy for acceptance of clients;
  - b) Procedure for identifying the clients;
  - c) Risk management
  - d) Transaction monitoring and reporting, especially Suspicious Transactions Reporting (STR).
3. Maintenance of records
4. Hiring
5. Training
6. Investor education and awareness
7. Internal audit or compliance function

#### **4. Client/Customer Due Diligence (CDD):**

For CDD, ACMIIL is dealing with both Institutional and Non-Institutional Clients. According to SEBI regulation/rules, Institutional Clients include:

- Banks
- Mutual Funds
- Foreign Institutional Investors (FII)
- Financial Institutions
- Insurance Companies

All other categories of client's viz. Individuals, HUFs, Trusts, Partnership Firms, Other companies other than mentioned above, etc. are considered as non-institutional clients.

The Client/Customer Due Diligence (CDD) measures for institutional and non-institutional clients would be as per category of client, but not limited to the minimum prescribed statutory provisions for the respective category of client.

#### **ACMIIL shall undertake CDD as per the provisions of Rule 9 of PML Rules as follows:**

##### **A) Knowing new client/subscriber**

In case of every new subscriber, necessary client due diligence with valid KYC documents of the subscriber shall be done at the time of commencement of account-based relationship/ client-based relationship.

## **B) Knowing existing client/ subscribers**

- (i) The AML/ CFT requirements are applicable for all the existing clients / subscribers (in case of PFRDA). Hence, necessary CDD with KYC (as per extant PML Rules) shall be done for the existing subscribers from time-to-time basis the adequacy of the data previously obtained. Further, periodic updation of KYC of NPS account shall be done as follows:
  - a. In case of NPS Tier II accounts (excluding Tier II Tax Saver Scheme) - Every 3 years.
  - b. In case of Tier II account, where subscriber is Politically Exposed Person (PEP) – Every 2 years.
  - c. At the time of exit from NPS Tier I account.
  - d. Whenever there is upward revision in the risk profile of the subscriber.
  - e. As and when there is revision or changes in PML Act / PML Rules.

- C) Where the risks of money laundering or terrorist financing are higher, reporting entities should be required to conduct enhanced due diligence (EDD) measures, consistent with the risks identified.

### **4.1 The client/customer due diligence (CDD) measures comprises the following:**

#### **4.1.1. Client Acceptance**

Before registering a client, obtain antecedent information to determine who beneficially owns or controls the securities account. Verify independently, the information submitted by client, but not limited to his/her identity, registered office address, correspondence address, contact details, occupation, promoters/directors, source of income, experience in securities market, PAN no., SEBI Registration No. (If any), etc. Obtain as much information as can be collected and verify it from independent sources. Those persons whose names appear in specified lists like SEBI debarred list, UN Sanctions list, Al-Qaeda List and such other lists as may be specified from time to time by the regulatory authorities will not be accepted as clients. Specified lists are

- (i) lists which contain the names of people debarred from accessing the capital market by regulatory authorities,
- (ii) consolidated list of individuals and entities subject to sanction measures under UNSC resolutions 1267 and 1822
  - [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml)
  - <http://www.un.org/sc/committees/1988/list.shtml>
- (iii) on Taliban -Al-Qaida financial action task force -FATF- public statement regarding countries which do not or insufficiently apply the FATF recommendations
- (iv) Lists as may be specified for this purpose by various regulatory authorities from time to time

The Stock Exchanges and the registered intermediaries shall leverage latest technological innovations and tools for effective implementation of name screening to meet the sanctions requirements

## **4.2. Client Information and Identity**

**4.2.1. Individuals:** Proof of identity, address, and financials will be collected.

### **4.2.2. Beneficial Ownership and control:**

After completing the registration process, client account should be verified by designated agencies or independent employee (where services of the agencies are not available) to check the actual beneficial ownership and control of the particular account. The details with respect to shareholders and promoters from the non-individual clients would be verified independently. The ownership and control structure of the client will be understood.

For this purpose, “**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 on a legal person or arrangement.

Where the client purports to act on behalf of juridical person or individual or trust, the registered intermediary shall verify that any person purporting to act on behalf of such client is so authorized

The beneficial ownership shall be determined in accordance with the following guidelines:

#### **A. For clients other than individuals or trusts:**

Where the client is a person other than an individual or a trust, viz. Company, partnership or unincorporated association/body of individuals, the identity of the beneficial owners of the client would be identified through the following information:

- a) 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. Controlling ownership interest means ownership of/entitlement to:
  - (i) More than 10% of shares or capital or profits of the juridical person, where the juridical person is a company;
  - (ii) More than 10% 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
- b) In cases where there exists doubt under clause (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means such as voting rights, agreement, arrangements or any other manner
- c) Where no natural person is identified under clauses (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official such as managing director, managing partner, etc.

#### **B. For client, which is a Trust**

The identification of the beneficial owners shall include identification of author of the trust, the trustee, the beneficiaries with 10% or more interest in the trust, the settler of the Trust, protector

and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

**C. For client, which is a listed company or subsidiary of a listed company**

Where 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. However, ACMIIL may at its discretion call for information in this regard from the concerned client.

**D. For client, which is foreign investor (Foreign Institutional Investor, Sub Account or Qualified Foreign Investor)**

The List of beneficial owners with shareholding or beneficial interest in the client equal to or above 25% would be obtained. However, if Global/Local Custodian provides an undertaking to submit these details, as and when asked for, such undertaking would suffice. The client's global custodian/local custodian should also undertake to inform any change in the list of beneficial owners.

Further in case where no natural person is identified under clauses 1 (a) or 1 (b) above, the identity of the relevant natural person who holds the position of senior managing official shall be obtained and kept on record.

**For client which is a Non-Profit Organisation :**

Every registered intermediary shall register the details of a client, in case of client being a non-profit organisation, on the DARPAN Portal of NITI Aayog, if not already registered, and maintain such registration records for a period of five years after the business relationship between a client and the registered intermediary has ended or the account has been closed, whichever is later.

(x)

**4.3. Ongoing due diligence and scrutiny:**

**4.3.1. Periodically, due diligence**

Periodically, due diligence and scrutiny of client's transaction and accounts shall be conducted to ensure that transactions being conducted are consistent with the organisation's knowledge of the client, its business and risk profile, the client's source of funds, etc.

**4.3.2. Periodical Update of information:**

All documents, data or information of all the clients and beneficial owners collected under the CDD process shall be updated periodically (at least once a year) by calling for this information from all the clients.

**4.3.3. Policy for acceptance of clients:**

This aims to identify the types of clients that are likely to pose a higher-than-average risk of Money Laundering (ML) or Terrorist Financing (TF). The following safeguarding measures will be followed while accepting the clients:

Before registering client, the company would identify the following details of the prospective client:

1. Ascertain the category of clients before registration as Client. (i.e. Individual or Corporate, FII, Mutual Fund, Client of Special Category or other ). Where the client is a Client of Special Category and is identified as a politically exposed person or related to a politically exposed person, approval of senior management will be taken before opening the account of such person.
2. Obtain and verify all necessary documents for registration as prescribed by the various regulatory authorities governing ACMIIL's business activities. (Photograph, Photo Identity, Proof of Address, copy of PAN, etc.). Obtain copy of Bank Statement for ascertaining the mode of payment of transaction.
3. Obtain antecedent details of the prospective client.
4. Ensure that new registration is to be made in client's name only.
5. Ensure that account is not opened in fictitious/ benami name or on an anonymous basis.
6. Client's occupation, sources of income.
7. Determine the parameter to categories of client as per risk.
8. Obtain financial statement at least for last 2 years duly certified by Chartered Accountants, in case of non-individual clients.
9. Ensure that all details of KYC form should be complete in all respect. Incomplete KYC not to be accepted by the organisation.

Factors of risk perception of the client to be clearly defined having regard to clients' location, nature of business activity, trading turnover, etc. and manner of making payment for transactions undertaken. These parameters shall enable classification of clients into low, medium and high risk.

1. Clients of Special Category (defined elsewhere in this policy) may if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile. Documentation requirements and other information to be collected in respect of different classes of clients would depend on the perceived risk.
2. Client not to be registered in case client has raised any kind of doubt and appears to be not co-operating for submission of required documents/information. (i.e. unable to submit the required form/proof, any suspicious behavior noticed at the time of registration, etc).

Account shall not be opened where organization cannot apply appropriate Customer Due Diligence/KYC policies.

3. Adequate formalities and procedures would be laid down for permitting client to act on behalf of another person / entity. The following would be clearly specified: The manner in which the account would be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value, and other appropriate details. The rights and responsibilities of both the persons (i.e. the agent-client registered with ACMIIL, as well as the person on whose behalf the agent is acting) would

be laid down clearly. Adequate verification of a person's authority to act on behalf the customer would be carried out.

4. Necessary checks and balance will be carried out before opening an account 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.
5. The CDD process shall necessarily be revisited when there are suspicions of Money laundering or financing of terrorism (ML/FT).
  - 5.a. The details of a client shall be registered on the DARPAN Portal of NITI Aayog, if not already registered, in case of client being a non-profit organization\*, and such registration records will be maintained for such period as many be prescribed from time to time, after the business relationship between a client and ACMIIL has ended or the account has been closed, whichever is later.  
(note\* Non-profit organization” means any entity or organisation, constituted for religious or charitable purposes referred to in clause (15) of section 2 of the Income-tax Act, 1961 (43 of 1961), that is registered as a trust or a society under the Societies Registration Act, 1860 (21 of 1860) or any similar State legislation or a Company registered under the section 8 of the Companies Act, 2013 (18 of 2013) ;”)
  - 5.b) Where suspicious transactions relates to money laundering or terrorist financing found and it is believed that performing the CDD process will tip-off the client, ACMIIL will not pursue the CDD process, and instead will file a STR with FIU-IND.”
6. Reliance on third party for carry out client due diligence identification and verification of the identity of the client and determination of whether the client is acting on behalf of the 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 the compliance with CDD and record-keeping requirements in line with the obligation under the PMLA Act

## **5. Acceptance of clients through Risk-Based Approach:**

Certain clients may be of a higher-risk or lower-risk category depending on circumstances such as the customer's background, type of business relationship or transaction etc. ACMIIL would apply each of the clients due diligence measures on a risk-sensitive basis. Based on the client categorization, there would be an enhanced customer due diligence process for higher-risk categories of customers. Conversely, a simplified customer due diligence process may be adopted for lower risk categories of customers. The type and amount of identification information and documents to be obtained would necessarily depend on the risk category of a particular customer. The indicative guidelines for categorization of a client into High, Medium and low risk are enclosed as Annexure 1 hereto. Further, low risk provisions would not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the client does not in fact provide a low risk.

- 5.1 ACMIIL will carry out and take suitable risk assessment measures 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.

- 5.2 ACMIIL will identify and assess the ML/TF risks that arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and existing products. ACMIIL will ensure:
- i) To undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and
  - ii) Adoption of a risk based approach to manage and mitigate the risks”.

The risk assessment shall also take into account any country specific information circulated by the Government of India, SEBI and/or any other regulatory authority from time to time.

The risk profile of a client would be reassessed in the event of any order from SEBI/Legal Enforcement Agencies/other Government Agencies

## 6. MONITORING AND REPORTING OF TRANSACTIONS:

Regular monitoring of transactions is required for ensuring effectiveness of the Anti-Money Laundering procedures.

Special attention would be given to all complex, unusually large transactions/patterns, which appear to have no economic purpose. Internal threshold limits would be specified for each class of client's accounts and special attention would be given to those transactions, which exceed these limits.

The company would ensure that the record of transactions is preserved and maintained in terms of the PMLA 2002 and that any transaction of suspicious nature or any other transaction notified under section 12 of the act is reported (in the prescribed format) to the Director, FIU-Ind, and/or such other appropriate authority, as may be statutorily required. Suspicious transactions would also be regularly reported to the higher authorities within ACMIIL.

ACMIIL will assess the transactions of a client with whom there is continuing relationship where there is any order from SEBI/Law Enforcement Agencies/Other Government Authorities. Further, the Compliance Department of ACMIIL shall randomly examine select transactions undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not.

Monitoring of transactions further the compliance cell of the intermediary shall randomly examine a selection of transaction undertaken by client to comment on their nature i.e whether they are in the nature of suspicious transactions or not.

**Clients of special category (CSC):** CSC clients include (but not limited) to the following:

1. Non-resident clients (NRI);
2. High Net worth clients (HNI) (defined as a client having Networth more than Rs.1 Crore)
3. Trust, Charities, Non-Governmental Organizations (NGOs), and organizations receiving donations.
4. Companies having close family shareholdings or beneficial ownership.

5. Politically exposed persons (PEP): These are individuals who are or have been entrusted with prominent public functions in India and/or 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. Family members or close relatives of PEPs would also be considered to be PEP. Companies/trusts/firms in which such individuals have interest or significant influence would also form part 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 (as per Transparency International Corruption Perception Index) is highly prevalent, countries against whom government sanctions are applied, countries reputed to be any of the following – havens/sponsors of international terrorism, offshore financial centers, tax havens, and countries where fraud is highly prevalent. Although dealing with clients in high risk countries where the existence/effectiveness of money laundering is suspect, ACMIIL 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, shall also independently access and consider other publicly available information;
8. Clients who are not face-to-face with the company;
9. Clients with dubious reputation as per public information available etc.;
10. Foreign Nationals
11. Foreign Portfolio Investors

The above-mentioned list will be modified depending on the categories of clients and ACMIIL will exercise independent judgement to ascertain whether new clients should be classified as CSC or not.

Any suspicion transaction shall be immediately notified to the **Designated/principal officer** with in the intermediary shall be done in the form of a detailed report with specific reference to the clients transaction 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. ACMIIL will based on its internal parameters decide whether to continue dealing with the client, or freeze or close the client's account. The client shall not be told of the report / suspicion in exceptional circumstance, 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 designated/principal officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant Information

## **7. Client identification procedure:**

### **To follow the Client Identification procedure the following factors would be followed:**

- A. The 'Know Your Client' (KYC) policy would be strictly observed with respect to the client identification procedure, which needs to be carried out at different stages. This will be done while establishing the Broker-Client relationship, while carrying out transactions for the client or when there are any doubts regarding the veracity or the adequacy of previously obtained client identification data.
- B. There would be an appropriate risk management system to determine whether the client or potential client or the beneficial owner of such client is a politically exposed person. Approval of the senior management would be obtained for establishing business relationship with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or becomes a PEP, approval of the senior management will be obtained for continuing the business relationship.

Reasonable measures will be taken to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.

- The client would be identified by using reliable, independent source documents, data or information. Obtain adequate information to establish the identity of each new client satisfactorily and the purpose of the intended nature of the relationship.
  - In case the clients purports to act on behalf of juridical person or individual or trust, the identity and authorization of such person would be verified to act on behalf of such client.
  - The information would be adequate to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed in compliance with the Guidelines. Each original document would be seen prior to acceptance of a copy and it is verified and duly attested
  - Failure by prospective client to provide satisfactory evidence of identity would be noted and reported to the higher authority within the organization.
- C. SEBI has prescribed the minimum requirements relating to KYC for certain class of the registered intermediaries from time to time. Taking into account the basic principles enshrined in the KYC norms, internal guidelines would be followed in dealing with clients and legal requirements as per the established practices. Furthermore, continuous familiarity and follow up would be maintained where inconsistencies are noticed in the information provided by the client. The principles enshrined in the PML Act, 2002 as well as the SEBI Act, 1992 and the regulations there under would be followed, so that organisation is aware of the clients on whose behalf it is dealing.
  - D. ACMIIL may rely on a third party for the purpose of
    - Identification and verification of the identity of a client, and
    - 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 reliance shall be in accordance with the regulations and circulars/guidelines

issued by SEBI from time to time.

## **8. RECORD KEEPING:**

- 8.1. For the purpose of the record keeping provision, there would be compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made thereunder, PML Act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Byelaws, and Circulars, as in force.
- 8.2 Such Records would be maintained as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) to provide, if necessary, evidence for prosecution of criminal behavior.
- 8.3 Should there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, ACMIIL would retain the following information for the accounts of their customers in order to maintain a 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. cash, cheques, etc;
    - The identity of the person undertaking the transaction;
    - The destination of the funds; and
    - The form of instruction and authority.

ACMIIL would ensure that all client and transaction records and information are made available on a timely basis to the competent investigating authorities.

- d. The following information would be maintained in respect of transactions:
  - (i) The nature of the 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.

## **9. RETENTION OF RECORDS:**

The following document retention terms shall be observed:

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

- 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.
- c. Records of information/suspicious transactions reported to the Director- Financial Intelligence Unit- India (FIU-IND) for a period of **eight** years or such period as may be prescribed under the applicable laws in force, from the date of the transaction reported as suspicious.

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.

## **10. SUSPICIOUS TRANSACTION MONITORING AND REPORTING:**

Identification of whether a particular transaction is of suspicious nature or not will depend upon the background of the transaction, details of the transaction, alerts generated by regulatory authorities who govern the business activities of ACMIL, as well as internal alerts generated by the customized software used for the purpose as well as other facts and circumstances related to the transaction. Followings are some of the circumstances (the list is not exhaustive), which may be in the nature of suspicious transactions:

- a. Clients whose verification of identity seems difficult. The clients appear to be not co-operating.
- b. where the source of the funds is not clear or not in keeping with client's apparent standing/business activity;
- c. Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
- d. Substantial increases in business volume without apparent cause.
- g. Transfer/Attempted transfer of investment proceeds/Securities to apparently unrelated third parties;
- h. Off market transactions of high value in the demat account of the clients
- i. High trading activity in the relatively illiquid scrips.
- j. Major trading activity in the Illiquid Z and T-to-T category scrips.
- k. Options trading wherein client has booked unusual profit or loss, which does not commensurate with the changes in the prices of underlying security in the cash segment.
- l. High exposures taken by client as compared to income levels informed by clients.
- m. Unusual transactions by "Client of special category (CSCs)" and businesses undertaken by shell corporations, offshore banks/financial services, businesses reported to be in the nature of export-import of small items.

- n. All suspicious transactions whether or not made in cash

It is likely that in some cases, apparently suspicious transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. Such attempted transactions shall be reported in STRs, even if not completed by clients, irrespective of the amount of the transaction.

## Reporting

1. Suspicious transactions would be reported to the Director, FIU-Ind, , New Delhi
2. or such address as may be specified from time to time by FIU- Ind, in the format and manner prescribed by the FIU.  
Director, FIU-IND,  
Financial Intelligence Unit-India,  
6th Floor, Tower 2, Jeevan Bharat building,  
Connaught Place,  
New Delhi-110001.INDIA  
Telephone : 91-11-23314429, 23314459  
91-11-23319793(Helpdesk)  
Email: helpdesk@fiuindia.gov.in  
(For FINnet and general queries)  
ctrcell@fiuindia.gov.in  
(For Reporting Entity / Principal Officer registration related queries)  
compliers@fiuindia.gov.in  
Website: <http://fiuindia.gov.in>
3. The Suspicious Transaction Report (STR) would be filed within seven 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 shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion.
4. The principal officer shall be responsible for timely submission of STR to FIU-IND.
5. Utmost confidentiality would be maintained in filing of STR to FIU-IND.
6. There shall be no restrictions (unless otherwise required) on operations in accounts where an STR is made. ACMIIL and its directors, officers, and employees (permanent as well as temporary) are prohibited (unless statutorily required) from disclosing the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition extends not only to the filing of the STR and/or related information, but even before, during, and after the submission of an STR.

## 11. LIST OF DESIGNATED INDIVIDUALS/ ENTITIES:

For the purposes of these guidelines, the designated Compliance Officer of ACMIIL would be the Designated Principal Officer.

### **Designated Director for compliance with the provisions of “Prevention of Money Laundering Act, 2002 (PMLA)**

For the purposes of these guidelines, the Designated Director of ACMIIL would be the Designated Director to ensure overall compliance with the obligations under the Act.

The names of the Designated Principal Officer and Designated Director for the purpose of compliance with these guidelines will be communicated to FIU-India, in case there is any change in already intimated personnel.

## 12. PROCEDURE FOR FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES:

Under the Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA), 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.

- i. To run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order (referred to as designated individuals/entities) are holding any funds, financial assets or economic resources or related services held in the form of securities with them.
- ii. The ACMIIL shall adopt latest technological innovations and tools for effective implementation of name screening to meet the sanctions requirements
- iii. In the event, particulars of any of customer/s match the particulars of designated individuals/entities, immediately, not later than 24 hours from the time of finding out such customer, ACMIIL shall inform full particulars of the funds, financial assets or economic resources or related services held in the form of securities, held by such customer on books to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011- 23092736. The particulars apart from being sent by post should also be sent through e-mail at [jsis@nic.in](mailto:jsis@nic.in).
- iv. ACMIIL shall also inform the particulars of the communication mentioned in (ii) above through post/fax and through e-mail ([sebi\\_uapa@sebi.gov.in](mailto:sebi_uapa@sebi.gov.in)) to the UAPA nodal officer of SEBI, Officer on Special Duty, Integrated Surveillance Department, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 as well as the UAPA nodal officer of the state/UT where the account is held, as the case may be, and to FIU-IND.
- v. In case the aforementioned details of any of the customers match the particulars of designated individuals/entities beyond doubt, ACMIIL would prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No. 011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-

mail at jsis@nic.in.

- vi. ACMIIL shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions carried through or attempted in the accounts referred to in this section (section 8), as per the prescribed format.

**Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person –**

Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, shall move an application giving the requisite evidence, in writing, to ACMIIL. ACMIIL shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 5(ii) above within two working days. The Joint Secretary (IS-I), MHA, being the nodal officer for (ISI) Division of MHA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, within fifteen working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned stock exchanges, depositories and registered intermediaries. However, if it is not possible for any reason to pass an order unfreezing the assets within fifteen working days, the nodal officer of IS-I Division shall inform the applicant.

**13. EMPLOYEES' HIRING/EMPLOYEE'S TRAINING:**

Key positions within the organization structure having regard to the risk of money laundering and terrorist financing and the size of the business are identified and it shall be ensured that the employees taking up such key positions are suitable and competent to perform their duties. For the purposes of this policy, key personnel would mean senior management personnel, risk management, surveillance and compliance staff, and employees dealing directly with clients.

ACMIIL would ensure that there is an ongoing training programme so that all members of the staff are adequately trained in AML and CFT procedures. The training requirements shall have specific focus for frontline staff, back office staff, compliance staff, risk management staff, and staff dealing with new clients so that they understand the rationale behind these guidelines and are sensitive to the risks of their systems being misused by unscrupulous elements. Surveys would be conducted on a half-yearly basis amongst employees for a review of the depth of their understanding of the organization's guidelines on Anti Money Laundering standards.

**14. INVESTOR EDUCATION AND AWARENESS:**

ACMIIL has sensitized, and would continue to sensitize its clients about the requirements under the PMLA and the need to obtain additional information (not previously called for from the clients). The same shall also be emphasized on, in the Investor Awareness Programs conducted by us at frequent intervals of time. The importance of the same is also made known to them at the time of opening the Account.

**15. REVIEW OF GUIDELINES ON ANTI-MONEY LAUNDERING STANDARDS:**

These guidelines will be reviewed periodically (at least once a year) and in case any amendment, notification, is issued by Financial Intelligence Unit (FIU- Ind) or any other regulatory authority which regulates the activities of ACMIIL, in respect of the Prevention of Money Laundering Act (PMLA) during the course of the year, then such amendment, notification is received from FIU-IND, such amendment/notification would be deemed to be a part of these guidelines, from the effective date of such amendment.

**RISK CATEGORISATION FOR ACCOUNTS IN THE NAME OF INDIVIDUALS**

Type	Recommended Risk Categorisation	Categorisation Risk Perception
Salaried	Low risk	Source on income is fixed and pattern of entries in the account can be correlated with known sources of income/ expenditure.
Senior citizens	Medium / High Risk	Source of income for trading related purposes not known clearly. May be operated by third parties. Will be considered high risk in case operating in F&O
House-wife/Student	Medium / High Risk	Source of income for trading related purposes not known clearly. May be operated by third parties. Will be considered high risk in case operating in F&O
Self Employed Professionals/ Businessmen	Low risk (except professionals associated with the film industry who will be categorized as "Medium" risk).	Accounts maintained by Chartered Accountants, Architects, Doctors, Lawyers, Sportsmen, etc.
Non Resident Individuals	Low / Medium risk	Transactions are regulated through AD and the accounts are opened only after IPV. In case an IPV is not performed and we have relied on documentation submitted by the client, the account would be categorised as medium risk.
Politically Exposed Persons resident outside India	High Risk	Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. Heads of States or of Governments, Senior officers, senior executives of state-owned corporations, important political party officials, etc. Branches should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. Front end staff should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. Such accounts should be subjected to enhanced monitoring on an ongoing basis. The above norms should also be applied to the accounts of the family members and close relatives of PEPs. Further ACMIIL may maintain a list of additional accounts as "Designated PEP" The accounts of Politically Exposed Persons resident outside India shall be opened only after obtaining the approval of Business Head. Further, in the event of an existing customer or the beneficial owner of an account subsequently becoming PEP, Business head approval would be required to as applicable to the customers of PEP category including enhanced monitoring on an ongoing basis. In such events ACMIIL shall be guided by the information provided by the clients or front end teams

## RISK CATEGORISATION FOR ACCOUNTS IN THE NAME OF NON-INDIVIDUALS

Risk categorization of Non Individual customers can be done basis:

Type	Recommended Risk Categorisation	Categorisation Risk Perception
Private Ltd/PublicLtd Companies	Low / Medium / High risk	Depending on the clarity of the shareholding structure and the nature of operations, such companies would be classified. Such classifications shall be decided post the review by the compliance officer
Local Authorities or Public Bodies	Low Risk	They are constituted under Special Acts. Operations are governed by such Acts / Rules
PublicSector Undertakings, Government Departments/ Undertakings, Statutory Corporations	Low Risk	These types of entities are governed by specific Acts, Notifications etc framed by the Government of India or the State Govt and are controlled and run by the Govt.
Mutual Funds/Scheduled Commercial Banks/Insurance Companies/Financial Institutions	Low Risk	These entities are strictly regulated by their respective regulators.
Partnership Firm	Low / Medium / High risk	Depending on the clarity of the partnership deed and the nature of operations, such entities would be classified. Such classifications shall be decided post the review by the compliance officer
Trusts Public Charitable Trust	Medium / High Risk	Depending on the clarity of the beneficial ownership and the nature of operations, such entities would be classified. Such classifications shall be decided post the review by the compliance officer
Hindu Undivided Family (HUF)	Medium Risk	These are unregistered bodies and the pattern of entries in the account may not be correlated with known sources of income/ expenditure
Societies/ Associations/ Clubs	High Risk (except 'Housing Societies' which will be categorized as "Low" risk).	These are not highly regulated entities and the pattern of entries in the account may not be correlated with known sources of income/ expenditure.
Trusts – Private Trust	High Risk	These may be unregistered trusts and the pattern of entries in the account may not be correlated with known sources of income/ expenditure
Co-operative Banks	High Risk	These are not highly regulated entities

Public Sector Undertakings, Government Departments/ Undertakings, Statutory Corporations	Low Risk	These types of entities are governed by specific Acts, Notifications etc framed by the Government of India or the State Govt and are controlled and run by the Govt.
Mutual Funds /Scheduled Commercial Banks/Insurance Companies/Financial Institutions	Low Risk	These entities are strictly regulated by their respective regulators.
Partnership Firm	Low / Medium / High risk	Depending on the clarity of the partnership deed and the nature of operations, such entities would be classified. Such classifications shall be decided post the review by the compliance officer
Trusts – Public Charitable Trust	Medium / High Risk	Depending on the clarity of the beneficial ownership and the nature of operations, such entities would be classified. Such classifications shall be decided post there view by the Compliance Officer.
Hindu Undivided Family (HUF)	Medium Risk	These are unregistered bodies and the pattern of entries in the account may not be correlated with known sources of income/ expenditure
Societies / Associations / Clubs	High Risk (except 'Housing Societies' which will be categorized as "Low" risk).	These are not highly regulated entities and the pattern of entries in the account may not be correlated with known sources of income/ expenditure.
Trusts – Private Trust	High Risk	These may be unregistered trusts and the pattern of entries in the account may not be correlated with known sources of income/ expenditure
Co-operative Banks	High Risk	These are not highly regulated entities