

# PMLA Policy

RRS SHARES & STOCK BROKERS PVT.LTD.

18/04/2022




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## Document Control Page

Document Name	PMLA Compliance Policy
Applicability	Broking/DP/PMS

Authorization	Document Owner	Drafted by	Last Reviewed On	Reviewed by	Authorized by
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Classification	Distribution List
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*Scope/ Applicability*

PROVISION	RESPONSIBLE DEPARTMENT	ACTION
<p>Customer Due Diligence Policy for acceptance of clients:</p> <p>Clients of special category (CSC):</p> <p>Client identification procedure :</p>	Customer care / Compliance Department	<p>Customer care department with the co-ordination of compliance department will take care of customer due diligence. Client should be categorized into high risk, moderate &amp; low risk.</p> <p>Customer Due Diligence by Third party shall not be permitted. (Note: Branch or Registered Sub broker/ AP/ Remisier shall not be treated as third parties for the purpose of CDD)</p>
Record Keeping	Finance & Accounts	Record to be maintained of all Cash transactions above Rs. 10 lakhs. Record of all transactions including suspicious transactions to be maintained in hard / soft copies.
Retention of Records	All Departments.	Records to be maintained for 5 years.
Monitoring of transactions	Compliance Department	All alerts shall be scrutinized and suspicious transactions shall be escalated to the principal officer. The principal officer shall take immediate action on all such transaction and report it to FIU IND, in case the client is unable to provide necessary information as to the genuineness of the transaction.
Suspicious Transaction Monitoring & Reporting	Principal Officer	<p>Record to be maintained of payments or transfers received from third parties (other than clients) which are of suspicious nature, if any.</p> <p>Record is to be maintained for transfers which are of suspicious transactions in the client accounts.</p>
Designation of an officer for reporting of suspicious transactions	Management & Board of Directors	Board of Directors will appoint principal officer and will intimate to FIU-India, New Delhi
Designation of an Director for reporting of suspicious transactions by Principal	Management & Board of Directors	Board of Directors will appoint Director and will intimate to FIU-India, New Delhi



Officer		
Furnishing of information to the Director (FIU)	All Departments.	The Principal Officer shall furnish the information in respect of transactions referred to in rule 3 every <b>month</b> to the Designated Director by the 15th day of the succeeding month



### *Background*

The Prevention of Money Laundering Act, 2002 ("PMLA") was brought into force with effect from 1st July 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on July 01, 2005 by the Department of Revenue, Ministry of Finance, Government of India.

As per the provisions of 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, sub-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 SEBI Act , shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Such transactions include:

- i. All cash transactions of the value of more than Rs. 10 lakh or its equivalent in foreign currency.
- ii. All series of cash transactions integrally connected to each other which have been valued below Rs. 10 lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency
- iii. 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 the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered. In case there is a variance in CDD/AML standards prescribed by SEBI and the regulators of the host country, branches/overseas subsidiaries of intermediaries are required to adopt the more stringent requirements of the two.

This Policy only supplements the existing SEBI / FIU guidelines relating to KYC/AML and any subsequent guidelines from the date of the Policy on KYC/AML will be implemented immediately, with subsequent ratification by the Board. Extant regulations will at any point in time override this Policy.



## Policy

### 1.0 Policy Guidelines on 'Know Your Customer' norms And Anti-Money Laundering measures

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

Accordingly, this policy document is prepared in line with the SEBI guidelines regarding 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 the RE 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.

### 2.0 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 are guilty of offence of money laundering".

Money launders may use the system for clearing 'money' earned through criminal activities with the objective of hiding/disguising its source. The process of money laundering involves creating a web of financial 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.

### 3.0 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:

- a. maintaining a record of prescribed transactions
- b. Furnishing information of prescribed transactions to the specified authority
- c. Verifying and maintaining records of the identity of its clients
- d. adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF
- e. develop staff members' awareness and vigilance to guard against ML and TF

### 4.0 Policy Objectives

- a. To prevent criminal elements from using the RE's system for money laundering activities.
- b. To enable the RE to know / understand its customers and their financial dealings better, which in turn would help the RE to manage risks prudently.



- c. To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.
- d. To comply with applicable laws and regulatory guidelines related to anti - money laundering.
- e. To take necessary steps to ensure that the concerned staff are adequately trained in KYC/AML procedures.

#### 5.0 Scope

This policy is applicable to all branches/offices of the RE and is to be read in conjunction with related operational guidelines issued from time to time.

#### 6.0 Client Due Diligence (CDD)

**The following CDD measures shall be taken by the RE:**

- a) The RE shall obtain 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 shall 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.
- b) The RE shall verify the client's identity using reliable, independent source documents, data or information.
- c) The RE shall identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted. The guidelines for the identification of beneficial ownership. Refer policy on Identification of Beneficial Ownership.
- d) The RE shall verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c).
- e) The RE shall understand the ownership and control structure of the client.
- f) The RE shall 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 the registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds.
- g) The RE shall periodically update all the documents, data or information of all clients and beneficial owners collected under CDD process.

**The Client due Diligence Process includes the following specific parameters:**

- I. Client acceptance policy
- II. Client Identification policy
- III. Monitoring and reporting of transactions

#### I. Client acceptance policy

