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PREVENTION OF MONEY LAUNDERING (PMLA), ANTI MONEY LAUNDERING (AML) & COMBATING THE FINANCING OF TERRORISM (CFT) POLICY

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PREVENTION OF MONEY LAUNDERING (PMLA), ANTI MONEY LAUNDERING (AML) & COMBATING THE FINANCING OF TERRORISM (CFT) POLICY

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Muni Broking House Limited, hereinafter referred to as Muni, is the SEBI registered Stock Broker & Depository Participant.

PART – I – INTRODUCTION & BACKGROUND

1. INTRODUCTION

The Government of India has serious concerns over money laundering activities which are not only illegal but anti-national as well. As a market participant it is evident that strict and vigilant tracking of all transactions of suspicious nature is required.

Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, SEBI had issued the Guidelines on Anti Money Laundering Standards vide their notification No.ISD/CIR/RR/AML/1/06 dated 18th January 2006 and vide letter No.ISD/CIR/RR/AML/2/06 dated 20th March 2006 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI. Further SEBI has also issued the Master Circular on Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) / Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and rules framed thereunder vide their notification SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated 03rd February 2023 and amendments thereto dated June 16, 2023. The Government of India has also notified Prevention of Money-laundering (Maintenance of Records) (Second Amendment) Rules, 2023, which is published in the Official Gazette on September 4, 2023 (Notification G.S.R. 652(E)). The said amendments were intimated by SEBI vide its circular reference number SEBI/HO/MIRSD/SEC-FATF/P/CIR/2023/0170 dated October 13, 2023.

a) Money Laundering

Money laundering is the process by which criminals attempt to hide and disguise the true origin and ownership of the proceeds of their criminal/illegal activities. The term “Money Laundering” is also used in relation to the financing of terrorist activity (where the funds may, or may not, originate from crime). It is a process of making dirty money clean. Money is moved around the financial system again and again in such manner that its origin gets hidden. Money generated from illegitimate source is converted into that derived from legitimate source. The PMLA states that “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.” Failure to understand and deal with money laundering can lead to significant:

- Regulatory risk
- Reputation risk
- Litigation risk
- Operational risk

b) Prevention of Money Laundering Act, 2002

The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from July 01, 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. The PMLA has been further amended vide notification dated March 6, 2009 and inter alia provides that violating the prohibitions on manipulative and deceptive devices, insider trading and substantial acquisition of securities or control as prescribed in section 12 read with section 24 of the SEBI Act, 1992 will now be treated as a scheduled offence under schedule B of the PMLA.

c) Financial Intelligence Unit (FIU) – INDIA

Financial Intelligence Unit – India (FIU-IND) was set by the Government of India on dated 18th November 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister. FIU-INDIA is responsible for receiving, processing, analysing and disseminating information relating to suspicious financial transactions information about money laundering, other related offences and financing of terrorism. It also coordinates & strengthen efforts of national and international intelligence, investigation and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

Accordingly, the Company has laid down following policy guidelines to prevent money laundering and shall put in place a frame-work to report cash and suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002. This policy is applicable to Employees and Authorized Person (AP).

Designated Directors: Mr. Shubham Thard is appointed as the Designated Director for PMLA

Principal Officer: Mr. Shubham Thard is appointed as the Principal Officer. He will be responsible for implementation of internal controls & procedures for identifying and reporting any suspicious transaction or activity to the concerned authorities.

To ensure that our entity properly discharge its legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors.

Names, designation and addresses (including email addresses) of 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU-IND. In terms of Rule 2 (f) of the PML Rules, the definition of a Principal Officer reads as under: Principal Officer means an officer designated by a registered intermediary; Provided that such officer shall be an officer at the management level.

2. BACKGROUND

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 nonbanking financial company) and intermediary (includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, asset management company, depository participant, 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 (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 (includes as below)

All cash transactions of the value more than Rs. 10 lacs or its equivalent in foreign currency.

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.

In case, we do not have records of the identity of our existing clients, we shall obtain the records forthwith, failing which we shall close the account of the clients after giving due notice to the client. Explanation: For this purpose, the expression “records of the identity of clients” shall include updated records of the identification date, account files and business correspondence and result of any analysis undertaken under rules 3 and 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

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.

It may, however, be clarified that 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. Further, If the host country does not permit the proper implementation of AML/CFT measures consistent with the home country requirements, we shall apply appropriate additional measures to manage the ML/TF risks, as required by SEBI from time to time.

SEBI vide its master circular no. SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/113 October 15, 2019 has superseded the earlier Master Circular on AML/ CFT dated July 04, 2018.

Stock Exchanges, Commodity Exchanges and their brokers/members i.e. intermediaries are under the ambit of the Prevention of Money Laundering Act, 2002 (PMLA). Muni Broking House Limited, with memberships at the NSE, BSE, MCX is bound by the guidance and directives relating to the implementation of the provisions of the PML Act – to prevent money laundering in the securities market and commodity derivatives markets in India and to combat financing terrorism within the country and outside so that objects of the PML Act are achieved.

3. POLICY AND PROCEDURES TO COMBAT MONEY LAUNDERING AND TERRORIST FINANCING

It is the policy of the company to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets. Further, we shall regularly review the policies and procedures on PMLA and Terrorist Financing on an Annual Basis to ensure their effectiveness.

It is the policy of the company to ensure that the PMLA guidelines adopted ensures the fulfilment of the obligations pertaining to implementation of the Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes to prevent and impede money laundering and terrorist financing.

Group shall have the same meaning assigned to it in clause (cba) of sub-rule (1) of rule 2 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 as amended from time to time.

To follow these obligations, the senior management of Muni Broking House Limited shall be fully committed to establishing appropriate policies and procedures for the prevention of ML and TF and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. Muni Broking House Limited shall:

(a) "issue a statement of policies and procedures and implement, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements;

(b) ensure that the content of these Directives are understood by all staff members

(c) regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures

(d) adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF

(e) undertake client due diligence ("CDD") measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction

(f) have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and

(g) develop staff members' awareness and vigilance to guard against ML and TF.

Policies and procedures to combat ML shall cover:

(a) Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc. whether in branches, departments or subsidiaries;

(b) Client acceptance policy and client due diligence measures, including requirements for proper identification;

(c) Maintenance of records;

(d) Compliance with relevant statutory and regulatory requirements;

(e) Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and

(f) Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff, of their responsibilities in this regard. The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors.

(g) The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors.

We have implemented organisation wise programmes for dealing with ML/TF, which are applicable to all our branches and Authorised Persons: Although most of our activities are centralised, we have duly implemented

a. policies and procedures for sharing information required for the purposes of CDD and ML/TF risk management;

b. the provision, at group level compliance, audit, and/or AML/CFT functions, of customer, account, and transaction information from branches and APs when necessary for AML/CFT purposes.

This shall include information and analysis of transactions or activities which appear unusual (if such analysis was done); similar provisions for receipt of such information by branches and APs from these group level functions when relevant and appropriate to risk management; and

c. adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off. Confidentiality requirement does not inhibit information sharing among entities in the group.

PART – II - DETAILED OBLIGATIONS

4. OBJECTIVES

The objective of the AML are as follows:

- To prevent company from being used, intentionally or unintentionally, by criminal elements for money laundering activities.
- Create awareness and provide clarity on KYC standards and AML measures.
- To have a proper Customer Due Diligence (CDD) process before registering clients.
- To monitor and report suspicious transactions.

- To discourage and identify money laundering or terrorist financing activities.
- To monitor / maintain records of all cash transactions of the value of more than Rs.10 lacs.

5. CLIENT DUE DILIGENCE PROCESS (CDD)

We Muni Broking House Limited procure most of our clients from known sources i.e. through authorised person, our employees or through business partners therefore don't need much client due diligence. The main aspect of this policy is the Customer Due Diligence Process which means:

➢ Obtaining sufficient information about to the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted. This is applicable in all segments and all exchanges.

➢ We may rely on a third party for the purpose of (a) identification and verification of the identity of a client and (b) 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 third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act. Such reliance shall be subject to the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time.

➢ It would be necessary for the member to compare the declared income hails from group of clients while giving the trading limits along with the credit including funds and collateral lying with member.

➢ Client transaction limit are being assessed against the Income / Networth of client as well as family group potential.

➢ At present we have not engaged any third party to undertake CDD exercise. However, in future we may rely on a third party for the purpose of (a) identification and verification of the identity of a client and (b) 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. We shall regulate, supervise or monitor such third party for compliance with CDD and have measures in place and record-keeping requirements in line with the obligations under the PML Act. Periodicity of updating of documents taken during the client due diligence (CDD) process will be half yearly.

➢ Updation of client identity documents will be carried for the account, there is no trading / transaction in demat account in last one year.

➢ Verify the client's identity using reliable, independent source documents, data or information. Where the client purports to act on behalf of juridical person or individual or trust, we shall verify that any person purporting to act on behalf of such client is so authorized and verify the identity of that person.

The Customer Due Diligence Process includes three specific parameters:

- Policy for Acceptance of Clients
- Client Identification Procedure

- Suspicious Transactions identification & reporting

a) POLICY FOR ACCEPTANCE OF CLIENTS

➢ Each client should be met in person: Accept client whom we are able to meet personally. Either the client should visit the office/branch or concerned official may visit the client at his address to get the necessary documents filled in and signed. As far as possible, ensure that the new client is introduced by an existing client, AP or employee. We ensure that prospective client not fall in list of debarred entity list of released by SEBI and defaulter list issued by RBI. Verification of online clients are to be done as per prescribed regulatory guidelines and procedures.

➢ Accepts clients on whom we are able to apply appropriate KYC Procedures: Obtain completes information from the client. It should be ensured that the initial forms taken by the clients are filled completely. All photocopies duly self-attested submitted by the client are checked against original documents without any exception. Ensure that the 'Know Your Client' guidelines are followed without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI), Exchanges and Depositaries are obtained and verified. We Muni Broking House Limited do voice calling to client to confirm detail submitted by client are correct and all detail get confirmed by client. We check client credential with SEBI and RBI debarred entity list.

➢ Be careful while accepting Clients of Special category: We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed shareholding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, clients with dubious background / documents pertaining to clients belonging to aforesaid category.

➢ Guidelines on Identification of Beneficial Ownership: For non- individual customers as part of the due diligence measures sufficient information must be obtained in order to identify persons who beneficially own or control securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party should be identified and verified using client identification and verification procedures as early as possible. 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(s) is/are being conducted. It includes persons who exercise ultimate effective control over a legal person or arrangement. The same can be verified as per the following procedure:

i. For clients other than individuals or trusts: Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

aa) 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 10% 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.

bb) In cases where there exists doubt under clause (aa) 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. Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

cc) Where no natural person is identified under clauses (aa) or (bb) above, the identity of the relevant natural person who holds the position of senior managing official.

As per the SEBI Circular bearing reference Number SEBI/HO/MIRSD/SEC-FATF/P/CIR/2023/0170 dated October 13, 2023, the below-mentioned modifications are being implemented:

Identifying 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 beneficial owner shall be determined as under:

a) where the client is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means. Explanation: - For the purpose of this sub-clause:-

i. "Controlling ownership interest" means ownership of or entitlement to more than ten per cent of shares or capital or profits of the company;

ii. "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;

b) where the client is a partnership firm, the beneficial owner is the natural person(s) who, whether acting alone or together, or through one or more juridical person, has ownership of/ entitlement to more than ten percent of capital or profits of the partnership or who exercises control through other means.

Explanation: - For the purpose of this clause: - “Control” shall include the right to control the management or policy decision;

c) where the client is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen per cent of the property or capital or profits of such association or body of individuals;

d) where no natural person is identified under (a) or (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;

e) Where the client is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with ten per cent 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; and

f) where the client or the owner of the controlling interest is an entity listed on a stock exchange in India, or it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions notified by the Central Government, or it is a subsidiary of such listed entities, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such entities.

g) Applicability for foreign investors: Registered intermediaries dealing with foreign investors' may be guided by SEBI Master Circular SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19,2022 and amendments thereto, if any, for the purpose of identification of beneficial ownership of the client;

h) The Stock Exchanges and Depositories shall monitor the compliance of the aforementioned provision on identification of beneficial ownership through half yearly internal audits. In case of mutual funds, compliance of the same shall be monitored by the Boards of the Asset Management Companies and the Trustees and in case of other registered intermediaries, by their Board of Directors.

ii. For client which is a trust: Where the client is a trust, Muni Broking House Limited, shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 10% 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 of a Trust, we shall ensure that trustees disclose their status at the time of commencement of an account based relationship.

iii. Exemption in case of listed companies: Where the client or the 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.

iv. Applicability for foreign investors: While dealing with foreign investors, Muni Broking House Limited may be guided by the clarifications issued vide SEBI circulars CIR/MIRSD/11/2012 dated September 5, 2012 and CIR/ MIRSD/ 07/ 2013 dated September 12, 2013, for the purpose of identification of beneficial ownership of the client.

v. The Management i.e. the Board of Muni Broking House Limited shall monitor the compliance of the aforementioned provision on identification of beneficial ownership through half yearly internal audits.

We shall verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted.

We shall not accept client registration forms which are suspected to be fictitious: Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.

We shall not compromise on submission of mandatory information/ documents: Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines.

We shall not open the accounts where the client refuses to provide information / documents and we should have sufficient reason to reject the client towards this reluctance.

vi. The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly verified. We shall verify in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with the intermediary, as well as the person on whose behalf the agent is acting shall be verified. Adequate verification of a person's authority to act on behalf of the client shall be verified.

vii. We shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process such that the information or data collected under client due diligence is kept up-to-date and relevant, particularly for high-risk clients.

We shall specifically apply EDD measures, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) form countries for which this is called for by the FATF. Further, we shall also capture the information on the actions taken for the clients covered under the jurisdiction mentioned by FATF as mentioned in the Exchange Circular NSE/INSP/63264 dated August 05, 2024.
Further, we shall not undertake any transaction or account-based relationship without following the CDD procedure.

viii. We 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 or closure of account, whichever is later.

ix. Where we are suspicious that any transaction relates to money laundering or terrorist financing, and reasonably believe that performing the CDD process will tip-off the client, we shall not pursue the CDD process, and shall instead file a STR with FIUIND.

b) CLIENT IDENTIFICATION PROCEDURE

✓ FOR NEW CLIENTS:

Objective: To have a mechanism in place to establish identity of the client along with firm proof of address to prevent opening of any account which is fictitious / benami / anonymous in nature.

Documents which can be relied upon:

➢ PAN CARD: PAN card is mandatory and is most reliable document as only one card is issued to an entity and we can independently check its genuineness through NSDL website.

➢ IDENTITY Proof: PAN Card itself can serve as proof of identity. However, in case PAN card carries an old photograph of the holder, which does not match current facial features of the client, we should take other identity proof in form of Voter's Identity card, Aadhaar Card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card.

➢ ADDRESS Proof: For valid address proof we can rely on Voter's Identity Card, Passport, Aadhaar Card, Driving Licence, Ration card and latest Bank Statement, Electricity/ telephone bill in the name of the client.

Documents to be obtained as part of customer identification procedure for new clients:

a. In case of individuals, one copy of the following documents has to be obtained:

➢ As PAN is mandatory, verify its genuineness with NSDL website and cross verify the PAN card copy with the original. We put "PAN verified and Verified with Original" stamp as proof of verification.

➢ Other proofs for identity are Voter's Identity card, Aadhaar Card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card or any other document prescribed by the regulatory authorities.

➢ Address proof in the form of Aadhaar Card, Voter's Identity Card, Passport, Driving Licence, Ration card and latest Bank Statement, Electricity/telephone bill in the name of the client or any other document prescribed by the regulatory authorities. Further we take copy of latest bank passbook as address proof in case of HUF account.

b. In case of corporates, one certified copy of the following documents must be obtained:

➢ Copy of the Registration/Incorporation Certificate

➢ Copy of the Memorandum & Articles of the Association

➢ List of Directors and Shareholders.

➢ Copy of the PAN card and the Director Identification No. (DIN)

➢ Copy of the latest audited Annual Statements of the corporate client

➢ Latest Net worth Certificate

➢ Latest Income Tax return filed.

➢ Board Resolution for appointment of the Authorized Person who will operate the account.

➢ Proof of address and identity of Authorized Person

c. In case of partnership firm one certified copy of the following must be obtained:

➢ Registration certificate

➢ List of Partner & copy of Partnership Deed

➢ PAN card & Address proof of partners

➢ Authorization letter for the person authorized to open and operate the account

➢ Proof of identity and address of the authorized person.

➢ Annual statement/returns of the partnership firm

d. In case of a Trust, one certified copy of the following must be obtained:

➢ Registration certificate

➢ List of Trustees and copy of Trust Deed

➢ PAN card & address proof of Trust and authorised signatories of Trust.

➢ Authorization letter for the entity authorized to act on their behalf

➢ Officially valid documents like PAN card, voters ID, passport, etc of person(s) authorized to transact on behalf of the Trust.

e. In case of unincorporated association or a body of individuals, one certified copy of the following must be obtained:

➢ Resolution of the managing body of such association or body of individuals

➢ POA in favour of person authorized to transact

➢ Officially valid documents like PAN card, voter's ID, passport, etc. of the person(s) authorized to transact

➢ Any document required to establish the legal existence of such an association or body of individuals.

f. In case of an NRI account - Repatriable/non-repatriable, the following documents are required:

➢ Copy of the PIS permission issued by the bank

➢ Copy of the passport

➢ Copy of PAN card

➢ Proof of overseas address and Indian address

➢ Copy of the bank statement

➢ Copy of the demat statement

If the account is handled through a mandate holder, copy of the valid POA/mandate Due diligence of the client shall not be outsource as per policy of company and complete due diligence will be carried out in house and record thereof will be kept as well as whenever it is revived time and again and undertaking enhance due diligence measures shall also be carried out.

General Guidelines

➢ Always check original documents before accepting the copies

➢ Obtain the latest photograph of account holder/ authorized person(s)

➢ Check for latest IT return of the client/ Net worth Certificate for ascertaining the financial status of the client to know the client suitability of the product being sold to the client

➢ Review the above details on-going basis to ensure that the transactions being conducted are consistent with our knowledge of customers, its business and risk profile, taking into account, where necessary, the customer's source of funds.

➢ Scrutinize the forms submitted by the client thoroughly and cross check the details with various documents obtained like source of income. If required, ask for any additional

details like salary slips, etc. to satisfy yourself whenever there is a doubt.

➢ Keep watch on the welcome kits returned with reason - undelivered. Business Head should be alerted, client be contacted immediately on telephone and the trading, if suspected, should be suspended

➢ If Employee introduces the client, exact relation of the client with such employee should be documented.

➢ In case of failure by prospective client to provide satisfactory evidence of identity, we shall report such failure to the higher authority.

➢ We shall verify each original document prior to acceptance of a copy.

➢ The client shall be identified by using reliable sources including documents / information. We shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.

➢ There shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures. This shall be strictly implemented by all the departments and offices.

✓ **FOR ALL EXISTING CLIENTS:**

On an on-going basis, we shall ensure that the details given in the KYC, by the client, matches with the current details of the client. If required, we can seek additional documents / information from the client to verify the financial/general status of the client.

In cases where:

➢ Cheque gets bounce on regular basis,

➢ Client who is mostly trades in illiquid scrips and fall under debarred entity list.

➢ There is any material negative change in the financial details of the client from what is given in the KYC.

➢ If the client is not contactable/traceable or contracts notes/ communications sent are received back undelivered.

➢ In case the client is prohibited by any regulatory authority.

➢ The client refuses to provide additional information/document asked for.

➢ There is a material change in the mandate holder profile/details.

Branches should immediately bring the same to the notice of the Business Head. The Business Head will, in turn, discuss the same with the Principal Officer to decide on the necessary course of action, including reporting to FIU, New Delhi.

6. RISK PROFILING OF THE CLIENT

➢We at Muni Broking House Limited accepts the clients based on the risk they are likely to pose. The aim is to identify clients who are likely to pose a higher-than-average risk of money laundering or terrorist financing. For this purpose, we need to classify the clients as low risk, medium risk and high-risk clients. By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high-risk client we have to apply higher degree of due diligence. The factors of risk perception depend on client's location, nature of business activity, turnover, nature of transaction, manner of payment etc. At Muni Broking House Limited at the time of assessing risk profile of client we consider family background and credit worthiness of whole family.

In order to achieve this objective, all clients of the branch / AP should be classified in the following category:

➢Category A – Low Risk

➢Category B – Medium Risk

➢Category C – High Risk

Factors of risk perception of the client: -

Particulars	Factor of Bifurcation	Risk Category
Client of Special Categories	Special Categories	High Risk
Non –resident (NRI) & Trust Clients	Client`s Location	High / Medium Risk
Payment through Banker`s Cheque / Demand Draft / Cash / Cheque of other bank (own) not mapped	Manner of Making Payment	High / Medium Risk
Client Introduced by other Existing Clients	Client`s Location	Medium / Low Risk

Client introduced through existing business network, social circle/ past known clients	Client`s Location	Medium / Low Risk
Professional persons like Doctors, Lawyers, CA/CS/ICWAI/Engineers etc.	Nature of Business Activity, Turnover etc.	Low Risk
Face to Face clients / Govt. /Defense Sector Employees	Client`s Location	Low Risk
Regular payment through A/c payee cheque from the Bank A/c already mapped with us	Manner of Making Payment	Low Risk

Ensure that no account is opened where we unable to apply appropriate client due diligence measures / KYC policies. This shall be applicable in cases where it is not possible to ascertain the identity of the client or information provided by the client is suspected to be non-genuine or perceived non-co-operation of the client in providing full and complete information. We should not continue to do business with such a person and file a suspicious activity report. We should also evaluate whether there is suspicious trading in the account and whether there is a need to freeze or close the account.

7. ROLES OF INDIVIDUAL / DEPARTMENT

•Relationship Manager/Dealer/Branch Manager/Branch Coordinator/ Business Head/ Authorize person

➢ The RM/ Dealer/ BM/Authorize Person, Coordinator should meet the client in person at least once before opening the account at the address given by the client. In the process he may reasonably verify the source of income, financial status, etc. of the client and ensure that the details mentioned in the CRF (Client Registration Form) matches with the actual status.

➢ If the client is a 'walk-in client', then the concerned branch official should make independent verification about the background, identity and financial worthiness of the client.

➢ All mandatory proofs of identity, address and financial status of the client must be collected as

prescribed by the regulatory authorities, from time to time. The proofs so collected should be verified with the originals.

➢ If the account is to be handled by a POA /mandate holder, then find out what is the relationship between the client and the POA/Mandate holder, establish the identity and background of the client and the POA/Mandate holder (by obtaining the required documents) and ensure that the POA/Mandate Holder has the proper authorization.

➢ In case of a corporate account, the branch officials should ensure that the authorized person has got the required mandate by way of Board Resolution. Also, the identity and background of the authorized person must be established by obtaining the required documents.

➢ Foreign clients can deal in Indian market only to sell the shares allotted through ESOP or buy/sell as a 'foreign direct investment'. We cannot deal for foreign clients under any other circumstances.

➢ Please consult the DP HEAD / Compliance Officer before dealing with any NRE, NRO, PIO or foreign clients.

•Risk Management Team

Risk Management Team (RMT) gives exposure to clients based on margin available in the system and clean exposure to selected clients based on recommendations of the Business Managers. It is also the duty of RMT to validate such exposures with the financial details provided by the client in KYC forms. Where there is a trading activity of the client, which is not commensurate with the financial details declared by the client, it should be analysed and referred to the Principal Officer with reasons of suspicion.

Our back-office software has a facility for managing risk of client during market hours as well as for generating alerts on the basis of trading activity of clients.

We shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and shall monitor the implementation of the controls and enhance them if necessary.
The risk management team shall carry out risk assessment to identify and access the risk and shall ensure that the effective steps are taken to mitigate such risk.

It will also look at geographical location of office client, nature and volume of transaction and mode of payment the client and will keep into account the sanctions of United Nations Security Council. Resolution such assessment shall be in writing and documented and made available to competent authority and exchanges.

We shall identify and assess the ML/TF risks that may 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. We shall ensure:

a. To undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and

b. Adoption of a risk based approach to manage and mitigate the risks

The risk assessment shall also take into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions.

Monitoring Of Transactions

➢ Scrutinize unusually large transactions as per the limits prescribed from time to time.
➢ Check previous trading pattern of the clients in that particular scrip.
➢ Scrutinize bulk deal transactions by sample check.

➢ Select randomly few clients and pick their few transactions and scrutinize to check whether they are of suspicious nature or not.

➢ If substantial increase in turnover in a dormant account is found, should be brought into the notice of the senior management. Review balances and trading in the dormant accounts. Be vigilant on the movement of credit balances of the dormant account.

➢Analysis is carried out by RMT to identify clients with huge and regular losses and are still placing trades/orders. Identify the Sources of funds in such cases.

➢ Analysis be also carried out in respect of disproportionate profit/ loss booked by a client trading in "F&O" segment vis-à-vis the value of the contract in illiquid scrips / derivatives.

➢ Ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND. Suspicious transactions shall also be regularly reported to the higher authorities.

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

Parameters for analysing the transactions:

On a periodic basis we track turnover of high-risk client and ascertain whether the same matches with the financial status of the client. Moreover, analyse whether there is commensurate fund movement, whether the payments are being made, in cheque and from the bank account(s) of the registered clients. To the extent possible, obtain the latest Income Tax return of the client to ascertain the financial capacity of the client.

Matched trades (where the buy and sell clients are with the same broker)

On a daily basis identify the matched trades (where the buy and sell orders are from same/different branches in B1, B2 group and penny stocks). Further analyse whether the clients are indulging in any sort of manipulation like shifting of profits from one account to another, creating artificial volumes, circular trading, indulging in price manipulation, shifting the beneficial ownership of shares, etc.

➢ Analysis of trades in illiquid stocks on regular basis and analyse the trades done in penny stocks. This will help us in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc.

➢ Client concentration in particular scrip or select scrips

On a periodic basis, ascertain whether any client is concentrating on any scrip, especially illiquid and penny stocks. This will help in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc. or is having insider information.

➢ Analysis of trades in illiquid counter

A daily analysis of the client's volume with respect to the total traded volume at the exchange has to be done. This will help in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc.

➢ Trades shifted from one client to another within the same broker

On a daily basis, analyse the details of trade shifted from one client to another, either during the market hours or after the market hours. This will help us in identifying whether the client is trying to hide his identity, indulging in profit/loss transfer, availing exposure while in debit balance etc.

➢ Analysis of NRI/Foreign clients/institutional trades especially w.r.t. payment patterns

Undertake a periodic analysis of the trades executed by NRI/Foreign clients/institutional clients. It should be supplemented by analysis of the payment patterns, trading patterns, etc.

With respect to the institutions, analyse all the cancelled trades and DVP trades to see whether the institutional code is being misused. In such cases, also ascertain who the ultimate beneficiary of the trades.

➢ Analysis of client payments in DD, Pay order, cash etc.

Undertake a periodic analysis of all the payments received from client by way of DD/Pay order. This will help in ascertaining whether any client's DD/Pay Orders have been purchased against "Cash" or might whether any client is making third party payments. The third-party payments can relate to employees also.

➢ Employees/Authorised Person account trades

Need to analyse the trades undertaken in the employees or Authorised Person's own trading account. It is possible that the employees/Authorised Persons might be accepting cash from the clients and execute the trades in their account. Similarly, it is possible that the profit on trades of the clients being shifted to the employees/Authorised Person's accounts.

➢ Frequent change in client details like bank account, demat account, address, etc

A monthly analysis of changes in the client details has to be undertaken to identify the clients who are making frequent changes whether the client trying to hide or confuse his identity.

•Role of Channel Partner Team

Monitoring Of Proprietary Transactions of Channel Partner:

➢ Check for high volume in proprietary account of channel partner / Authorize person and

his/her relations.

Scrutinize Demat account of channel partner / Authorised Person

➢ List all off market transfers and if in doubt seek explanation from concerned Channel partner separately.

➢ Check for third party funds (cheque received from bank accounts other than mapped bank accounts and demand drafts / pay orders)

➢ Policy of New Recruitment- The recruitment officer in hiring new employees should have adequate screening procedure in place to ensure high standards in hiring new employees.

➢ Bona fides of employees are checked to ensure that the employees do not have any link with terrorist or other anti-social organizations.

➢ Not only Know Your Customer (KYC) policy but also "Know Your Employee" procedures should be in place.

•Role of Regional Business Heads/Branch Co-Ordinator/Authorized Persons

➢Being in the field, they have market intelligence about potential mischief makers which should be brought to the notice of CRD, Legal and RMT.

•Role of Compliance Team

KYC forms and other documents drafted should invariably have undertaking from the client that he is not indulging in or has not been associated with any money-laundering activity or terrorist activity and that he has not been convicted of any fraud/offence/ crime by any regulatory authority existing in the country.

All disclosure documents should have notice to the client informing about company's right to obtain and disclose any information about the client to the competent authority as may be required.

•Role of Training Division

➢Briefings to new employees at induction programs and rounds of small meetings and presentations at branch locations.

➢Adequate training should be given to all the concerned employees to

(a)Ensure that the contents of the guidelines are understood and

(b) Develop awareness and vigilance to guard against money laundering and terrorist financing.

➢Adequate training should be given to all the concerned clients including investors to

(a)Ensure that the contents of the guidelines are understood and

(b)Develop awareness and vigilance to guard against money laundering and terrorist financing.

As of now, AML policy will be covered during the induction training given to all new recruits and during the on-going compliance sessions at the regions.

•Role of Internal Audit

This Policy will be reviewed regularly by the Internal Audit Head for its effectiveness since the person reviewing the policy should be different from the person framing the policy.

8. CASH TRANSACTIONS

All are requested not to accept cash from the clients whether against obligations or as margin for purchase of securities or otherwise. All payments shall be received from the clients strictly through normal banking channel in favour of Muni Broking House Limited The same is also required as per SEBI circular no. SMD/ED/IR/3/23321 dated November 18, 1993 and SEBI/MRD/SE/Cir- 33/2003/27/08 dated August 27, 2003.

In case account payee cheques have been received from a bank account other than that captured in records the same can be accepted after ascertaining that the client is the first holder of the account. Relevant copies of the supporting documents should be sent to HO and details of such accounts should be captured in records.

Only in exceptional cases, bank draft/pay-order may be accepted from the client provided identity of remitter/purchaser written on the draft/pay-order matches with that of client else obtain a certificate from the issuing bank to verify the same.

9. SUSPICIOUS TRANSACTIONS

All are requested to analyse and furnish details of suspicious transactions, whether or not made in cash. It should be ensured that there is no undue delay in analysis and arriving at a conclusion.

What is a Suspicious Transaction: 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 circumstance of unusual or unjustified complexity; or

➢ Appears to have no economic rationale or bona fide purpose

Reasons for Suspicion:

➢ Identity of client

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Clients in high-risk jurisdiction
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities
- Receipt back of well -come kit undelivered at the address given by the client

➢ Suspicious Background

- Suspicious background or links with criminals

➢ Multiple Accounts

- Large number of accounts having a common parameter such as common partners / directors / promoters / address/ email address / telephone numbers introducer or authorized signatory.
- Unexplained transfers between such multiple accounts.
- Activity inconsistent with what would be expected from declared business.

➢ Activity in Accounts

- Unusual activity compared to past transactions.
- Use of different accounts by client alternatively.
- Sudden activity in dormant accounts.
- Activity inconsistent with what would be expected from declared business.
- Account used for circular trading

➢ Nature of Transactions

- Unusual or unjustified complexity.
- No economic rationale or bonafide purpose
- Source of funds are doubtful
- Appears to be case of insider trading
- Purchases made on own account transferred to a third party through an off-market transactions through DP account
- Transactions reflect likely market manipulations.
- Suspicious off market transactions.

➢ Value of Transactions

- Value just under the reporting threshold amount in an apparent attempt to avoid reporting.
- Large sums being transferred from overseas for making payments.
- Inconsistent with the clients apparent financial standing Inconsistency in the payment pattern by client.
- Block deal which is not at market price or prices appear to be artificially inflated/deflated.

What to Report

➢ The nature of the transactions

➢ The amount of the transaction and the currency in which it was denominated

➢ The date on which the transaction was conducted: and

➢ The parties to the transaction.

➢ The reason of suspicion.

When to Report

In terms of the PMLA rules, brokers and Authorised Person are required to report information relating to cash and suspicious transactions to The Director, Financial Intelligence Unit-India (FIU- IND) 6th Floor, Hotel Samarat, Chanakyapuri, New Delhi - 110021 as per the schedule given below:

Report	Description	Due Date
STR	All suspicious transactions whether or not made in cash	Not later than seven working days on being satisfied that the transaction is suspicious*

* Master Circular DBOD.AML.BC. No.2/ 14.01.001 / 2010 – 11 dated July 01, 2010

* Notification No. 14/2010

We shall adhere to the following:

The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.

The Suspicious Transaction Report (STR) shall be submitted within 7 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.

The Non-Profit Organization Transaction Reports (NTRs) for each shall be submitted to FIU-IND by 15th of the succeeding month.

"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);

The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND

Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND.

Confidentiality requirement does not inhibit information sharing among entities in the group.

We shall not put any restrictions on operations in the accounts where an STR has been made. We shall ensure that our employees are prohibited from disclosing ("tipping off") the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not

only to the filing of the STR and/ or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level.

It is clarified that, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if there are reasonable grounds to believe that the transactions involve proceeds of crime.
It is further clarified that "proceeds of crime" include property not only derived or obtained from the scheduled offence but also any property which may directly or indirectly be derived or obtained as a result of any criminal activity relatable to the scheduled offence.

In view of the above, Compliance Officer is required to collect information from the Branches / Departments / Authorised Person under their control / jurisdiction and submit report on Cash transactions on monthly basis by the 10th day of the following month and suspicious transactions to the Principle Officer within Seven working days of establishment of such transaction to enable the Principal Officer to report the same to the Director, Financial Intelligence Unit-India (FIU-IND) within the stipulated time.

Other Important Points:

➢ Reasons for treating any transaction or a series of transactions as suspicious should be recorded. It should be ensured that there is no undue delay in arriving at such a conclusion.

➢ Utmost confidentiality should be maintained in submitting the information. Confidentiality requirement does not inhibit information sharing among entities in the group.

➢ The reports may be transmitted by email/speed/registered post/fax at the Head Office addressed to the Principal Officer.

➢ No restriction may be put on operations in the accounts where a Suspicious Transaction

Report has been made.

➢ It should be ensured that there is no tipping off to the client at any level.

Formulate/Review/Training on The Internal Policy and Procedure to All Staff / Authorised Person

➢ This internal policy and procedure on “The Prevention of Money Laundering Act, 2002” should be brought to the notice of all employees by Compliance officer through the Company’s intranet.

➢ All Authorised Person/ channel partners shall be intimated and updated on the applicable provisions of The Prevention of Money Laundering Act, 2002 and the reporting mechanism by way of a circular.

➢ Staff training and implementing specific procedures for customer identification and retaining internal records of transactions.

➢The Internal Policy should be placed before the Head and if any changes in the policy are warranted, the revised policy should be placed before the Head for review and approval.

RELIANCE ON THIRD PARTY TO CARRY OUT CLIENT DUE DELIGENCE:

➢ We rely on third party for determining that whether client is acting on behalf of beneficial owner, such third party shall be monitored and measured for compliance with Client Due Diligence and record keeping requirement for PML Act.

➢ Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time.

➢ The third party is not based in a country or jurisdiction assessed as high risk.
➢ Such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements.
➢ We shall take adequate steps to satisfy that copies of identification data and other relevant documentation relating to the client due diligence requirements are made available from the third party upon request without delay

HIGHER MANAGEMENT APROVAL WITH RESPECT TO PEP

➢ There is a system in which prior approval of Senior Management is taken in case establishing business relationship with PEP & also reasonable measures has been taken to verify source of funds and wealth of the PEP.

Politically Exposed Persons" (PEPs). PEP shall have the same meaning as given in clause (db) of sub-rule (1) of rule 2 of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005. The additional norms applicable to PEP as contained in the subsequent paragraph 14 of the master circular shall also be applied to the accounts of the family members or close relatives / associates of PEPs;

PERIOD FOR COLLECTION OF INSTRUCTIONS DOCUMENTS

➢ We have proper internal mechanism for proper maintenance and preservation of such records and information and also we shall collect additional documents related to financial soundness (Income Proof) and others.

INVESTOR EDUCATION

➢ We have prepared specific literature/ pamphlets to make sure that clients are aware about the PML and will give us personnel documents easily as and when required as per PML.

10. INFORMATION TO BE MAINTAINED

Intermediaries are required to maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

- the nature of the transactions;
- the amount of the transaction and the currency in which it is denominated;
- the date on which the transaction was conducted; and
- the parties to the transaction.

11. RETENTION OF RECORDS

Intermediaries shall take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PML Rules must be maintained and preserved for a period of five years from the date of transactions between the client and intermediary.

There is a proper mechanism for maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities.

All necessary records on transactions, both domestic and International, record of documents evidencing the identity of its clients and beneficial owners (e.g., copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence 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.

We shall maintain such records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behaviour.

All record of information related to transactions, whether attempted or executed, that are reported to FIU will be maintained for a period of five years.

12. LIST OF DESIGNATED INDIVIDUALS/ ENTITIES

An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at http://www.un.org/sc/committees/1267/consolist.shtml. Registered intermediaries are directed to ensure that accounts are not opened in the name of anyone whose name appears in said list. Registered intermediaries shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to SEBI and FIUIND.

13. PROCEDURE FOR FREEZING OF ASSETS

• Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of Section 51A of the UAPA.

• Under the aforementioned Section, 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.

In order to ensure expeditious and effective implementation of the provisions of Section 51A of UAPA, Government of India has outlined a procedure through an order dated February 02, 2021 for strict compliance. These guidelines have been further amended vide a Gazette Notification dated June 08, 2021. A corrigendum dated March 15, 2023 has also been issued in this regard. The list of Nodal Officers for UAPA is available on the website of MHA. We shall abide by the statutory guidelines in this regard.

•The stock exchanges, depositories and registered intermediaries shall ensure effective and expeditious implementation of the procedure laid down in the UAPA Order dated August 27, 2009.

•On receipt of the updated list of individuals/ entities subject to UN sanction measures (hereinafter referred to as 'list of designated individuals/ entities) from the Ministry of External Affairs (MHA)'; SEBI will forward the same to stock exchanges, depositories and registered intermediaries for the following purposes:

1) To maintain updated designated lists in electronic form and 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. We shall leverage latest technological innovations and tools for effective implementation of name screening to meet the sanctions requirements.

2) In the event, particulars of any of customer/s match the particulars of designated individuals/entities, stock exchanges, depositories and intermediaries shall immediately, not later than 24 hours from the time of finding out such customer, 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 their 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 necessarily be conveyed through e-mail at jsis@nic.in.

• Stock exchanges, depositories and registered intermediaries shall send the particulars of the communication mentioned in (ii) above through post/fax and through e-mail (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.

14. PROCEDURE FOR UNFREEZING OF ASSETS

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 the concerned stock exchanges/depositories and registered intermediaries. The stock exchanges/depositories and registered intermediaries 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 21 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.

15. COMMUNICATION OF ORDERS UNDER SECTION 51A OF UNLAWFUL ACTIVITIES (PREVENTION) ACT

All Orders under section 51A of the UAPA relating to funds, financial assets or economic resources or related services, would be communicated to stock exchanges, depositories and intermediaries through SEBI.

16. LIST OF DESIGNATED INDIVIDUALS/ ENTITIES

The Ministry of Home Affairs, in pursuance of Section 35(1) of UAPA 1967, declares the list of individuals/entities, from time to time, who are designated as 'Terrorists'. We shall take note of such lists of designated individuals/terrorists, as and when communicated by SEBI.

All orders under section 35 (1) and 51A of UAPA relating to funds, financial assets or economic resources or related services, circulated by SEBI from time to time shall be taken note of.

An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at https://press.un.org/en/content/press-release. The details of the lists are as under:

- The "ISIL (Da'esh) &Al-Qaida Sanctions List", which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al-Qaida Sanctions List is available at: https://www.un.org/securitycouncil/sanctions/1267/press-releases.

- The list issued by United Security Council Resolutions 1718 of designated Individuals and Entities linked to Democratic People's Republic of Korea www.un.org/securitycouncil/sanctions/1718/press-releases.

We will ensure that accounts are not opened in the name of anyone whose name appears in said list. We shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list.

We shall maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether the designated individuals/entities are holding any funds, financial assets or economic resources or related services held in the form of securities with them.

We shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions carried through or attempted in the accounts covered under the list of designated individuals/entities under Section 35 (1) and 51A of UAPA.

Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to the Central [designated] Nodal Officer for the UAPA, at Fax No.011-23092551 and also conveyed over telephone No. 011-23092548. The particulars apart from being sent by post shall necessarily be conveyed on email id: jsctcr-mha@gov.in.

We shall also send a copy of the communication mentioned above to the UAPA Nodal Officer of the State/UT where the account is held and to SEBI and FIU-IND, without delay. The communication shall be sent to SEBI through post and through email (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Deputy General Manager, Division of FATF, Market Intermediaries Regulation and Supervision Department, Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051.

17. APPROVAL AUTHORITY & REVIEW OF POLICY

The policy is approved by the Board of Muni Broking House Limited.

This policy may be reviewed as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change the policy due to business needs post the approval of our Board of Directors.

18. POLICY COMMUNICATION

A copy of this policy shall be made available to all the relevant staff/persons such as: compliance officer / department in-charge /authorized persons.

Further, a copy of this policy has also been displayed on our website.