

PMLA POLICY

DBFS GROUP

STOCK BROKER WITH NSE, BSE, MCX

DP WITH CDSL

PORTFOLIO MANAGER

POP WITH PFRDA

CORPORATE OFFICE:

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COMPLIANCE UNDER **PREVENTION OF MONEY LAUNDERING ACT**

DBFS SECURITIES LIMITED had designed this Policy of PMLA and effective AML program to prohibit and actively prevent the money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities or flow of illegal money or hiding money to avoid paying taxes. 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.

This policy provides a detailed Account of the procedures and obligations to be followed to ensure compliance with issues related to KNOW YOUR CLIENT (KYC) Norms, ANTI MONEY LAUNDERING (AML), CLIENT DUE DILIGENCE (CDD) and COMBATING FINANCING OF TERRORISM (CFT). This policy specifies the need for additional disclosures to be made by the clients to address concerns of Money Laundering and Suspicious transactions undertaken by clients and reporting to FINANCE INTELLIGENT UNIT (FIU-IND). These policies are applicable to both Branch and Head office Operations and are reviewed from time to time.

Financial Intelligent Unit (FIU):

The government of India set up Financial Intelligent Unit -India (FIU) on 18th November 2004 as an independent body to report directly to the Economic Intelligence council (EIC) headed by the Finance Minister. FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transaction. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against Money laundering and related Crimes.

The Prevention of Money Laundering Act, 2002 (PMLA):

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

As per 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 Depository Participants, 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 Securities and Exchange Board of India Act, 1992) shall have to maintain a record 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:

1. All cash transactions of the value of more than Rs.10 Lakhs or its equivalent in foreign currency.
2. 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.
3. 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.

“Suspicious Transactions” means a transaction whether or not made in cash which to a person acting in good faith –

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

PRINCIPLE OFFICER

Mr. Johnkutty James has been appointed as “Principal Officer” under the provisions of the PMLA.

Responsibilities:

The Principal Officer will ensure that:

- a. The Board approved AML Program is implemented effectively.
- b. The data generated based on set parameters is downloaded timely to enable us to analyze the data and report transactions of suspicious nature to FIU-IND directly.

- c. The Company responds promptly to any request for information, including KYC related information maintained by us, made by the regulators, FIU-IND and other statutory authorities.
- d. The employees are trained to address issues regarding the application of the PMLA.
- e. The Staff selection and training process complies with the PMLA Policy.
- f. Any other responsibilities assigned by top management or any other Official authorized by top management from time to time.

DESIGNATED DIRECTOR

To prevent and control Money Laundering, we have appointed “Designated Director” in terms of Money Laundering Act, 2002 and the same were intimated to FIU-DIRECTOR, Chanakyapuri, Delhi.

Our Designated director is responsible to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules.

Mr. Binny C Thomas has been appointed as “Designated Director” under the provisions of the PMLA.

CLIENT DUE DILIGENCE PROCESS

CDD Process - General is consist of the following:

- Ensure that KYC Norms are strictly followed and all the information provided in the KYC form are obtained and filled up.
- Obtain sufficient information 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 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.
- Verify the customer’s identity using reliable, independent source documents, data or information.
- Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the customer and/or the person on whose behalf a transaction is being conducted.

- Verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted, corroborating the information provide in relation to (c); and
- 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 customer, its business and risk profile, taking into account, where necessary, the customer’s source of funds

POLICY FOR ACCEPTANCE OF CLIENT:

The policy is to enable customer due diligence on a risk sensitive basis depending on the type of customer business relationships or transactions. Accordingly the following safeguards are to be followed while accepting the clients.

- No account is opened in a fictitious/ benami name or on an anonymous basis
- Risk Perception: Based on clients location, nature of business activity, trading turnover, manner of making payment for transactions undertaken, clients should be classified into low, medium and high risk category. Though as per guidelines issued by SEBI and practiced by the company this system of making payments to and for receiving payments from, clients is through banking channels only and in the manner specified, the following points are to be ensured.
- No payment in cash is either accepted or made to the client.
- Include this in “Do’s and ‘Don’ts’ issued in writing to the clients as part of client registration
- Discourage payment by clients by DD. In exceptional cases DD’s may be accepted if the same is accompanied by documentary evidence such as bank statement and cheque.
- Ensure that the internal control policy in this regard are strictly followed
- Ensure that no account is opened where the intermediary is unable to apply appropriate clients due diligence measures / KYC policies. Such cases are where:
 - It is not possible to ascertain the identity of the client
 - Information provided is suspected to be non genuine.
 - It appears that client does not co-operate by providing full and complete information
- Ensure that identity of the client does not match with any person having known criminal background or is not banned in any other manner. An adequate system to prevent the entry of any suspended / debarred PAN No. into our system.

- The following are considered as Clients Special Category (CSC) and in respect of all them utmost care should be taken to clearly identify the client before the account is opened. The category of clients referred to herein are:
 - (a) Nonresident clients
 - (b) High net worth clients,
 - (c) Trust, Charities, NGOs and organizations receiving donations
 - (d) Companies having close family shareholdings or beneficial ownership
 - (e) Politically exposed persons (PEP) of foreign origin
 - (f) Current / Former Head of State, Current or Former Senior High profile politicians and connected persons)
 - (g) Companies offering foreign exchange offerings
 - (h) Clients in high risk countries (where existence/effectiveness of money laundering control 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 which government sanctions are applied, Countries reputed to be any of the following – Havens/ sponsors of international terrorism, offshore financial centers, tax haven, countries where fraud is highly prevalent.
 - (i) Non face to face clients
 - (j) Clients with dubious reputation as per public information available etc.
- As far as possible reference and confidential report about the genuineness of the client should be obtained from the client's bankers in respect of all cases other than (e),(g),(h),(i) and (j)
- In respect of those listed as (e), (g), (h), (i) and (j) avoid dealing with them and do not open any account for them.
- As far as possible and except where it is unambiguously made known that the voluntary donations and other receipts of the Trust/Charitable Organizations/NGO are from genuine sources and not from unidentified or fictitious person, no account of trust/ charitable organization/NGO should be opened.

CLIENT IDENTIFICATION PROCEDURE:

As per code of conduct for Stock Broker in SEBI (Stock Brokers and Sub-brokers) Regulations, 1992, SEBI Master Circular No. CIR/ISD/AML/3/2010 dated December 31, 2010 and SEBI circular CIR/MIRSD/2/2013 dated January 24, 2013, all SEBI registered

market intermediaries are required to conduct due diligence on identification of Beneficial Ownership.

Accordingly the Company has formulated this Policy relating to identification of Beneficial Ownership and categorizes the Beneficial ownership for this purpose as the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted, and includes a person who exercises ultimate effective control over a legal person or arrangement.

i. For Individual Clients (Natural Persons):

Where the Client is an Individual, to check the identity of such natural person; doing In-Person Verification as per PMLA; follow KRA regulations; conduct due diligence in accordance with norms and to do such other verifications necessary to verify the real identity of client.

ii. 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, following steps be made to identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

- a. To check the identity of Juristic person, if it is an unlisted incorporated company under the provisions of Companies Act, 1956, on MCA website at www.mca.go.in/MCA21 & to get shareholding detail of company.
- b. To check 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.
- c. In cases where there exists doubt under clause 4 (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
- d. Where no natural person is identified under clauses (b) or (c) above, the identity of the relevant natural person who holds the position of senior managing official.

iii. For client which is a trust:

Where the client is a trust, the company will 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 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

iv. Politically Exposed Persons

To identify & determine through risk management system whether the client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPs. Further, the enhanced CDD measures as outlined in clause 5.5 shall also be applicable where the beneficial owner of a client is a PEP.

In case of client being a PEP, in order to establish business relationship it would be necessary to obtain approval from senior management. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, the company shall obtain senior management approval to continue the business relationship.

The Company will also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP”.

v. For Foreign Investors

The Company dealing with foreign investors’ viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors for the purpose of identification of beneficial ownership of the client, it will follow the risk based due diligence approach as prescribed by SEBI Master Circular on AML No. CIR/ISD/AML/3/2010 dated December 31, 2010. Also, they shall conduct ongoing client due diligence based on the risk profile and financial position of the clients as prescribed in Annexure A of SEBI Circular CIR/MIRSD/ 11 /2012 dated September 5, 2012.

Further the company will also adhere following while identifying the clients:

1. Maintenance of updated list of individuals / entities subject to various sanctions / measures available from the site <http://www.un.org/sc/committees/1267/consolist.shtml> and to regularly scan all existing accounts to ensure that no account is held by any of the entities or individuals included in the above list.

2. For customers that are natural persons, it is required to obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph. For customers that are legal persons or entities, it is required to (i) verify the legal status of the legal person/ entity through proper and relevant documents (ii) verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person, (iii) understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person. Customer identification requirements in respect of a few typical cases, especially, legal persons requiring an extra element of caution.
3. In the event of matching any particulars of designated individuals/entities, we will inform the full particular of the funds, financial assets or economic resources or related services held in the form of securities, within 24 hours to the joint secretary (IS.I) Ministry of Home Affairs, at a given fax / phone number and email id and will also send the same to the email id and address of SEBI.
4. In the event of matching the details beyond doubt, we will prevent the persons from conducting any further financial transactions under intimation to the above mentioned authorities and will file STR to FIU, IND, covering all transactions.
5. The 'Know your Client' (KYC) policy is clearly defined and adopted under the supervision of Principal Officer.
6. We have been identifying the client by using reliable sources including documents / information, in person verification, etc.
7. We have seen each original document prior to acceptance of a copy and same be stamped "Verified with the original". The information collected by us is enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by us in compliance with the Guidelines.
8. We have been noting failure by prospective client to provide satisfactory evidence of identity and same to be reported to the higher authority within the organization.

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

- i. 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.

ii. 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.

RISK BASED CLIENT CATEGORIZATION:

- Each client will be marked into 3 categories, **High Risk, Medium Risk and Low Risk** from the point of view of the anti money laundering laws. The categorization will be made based on the following parameters/ factors of risk perception:
 - a) High Net-worth Clients
 - b) Trusts/ NGOs / Charities receiving donations
 - c) Companies having close family shareholdings(The above are considered of High Risk as per SEBI guidelines)
- The other parameters are nature of business activity, trading turnover, manner of making payment etc. Provision will be made in the back office software for noting categorization of each client. The high-risk client will require regular KYC update.
- The clients will be placed under low, medium and high-risk category based on their turnover per day. Corporates / HNIs having respectable social and financial standing,
- Clients who make payment on time and take delivery of shares can be considered as Low Risk clients. Intra-day clients or speculative clients whose turnover is not in line with the Financials declared are considered as Medium Risk clients. Clients doing large activity in dormant account, trading on a regular basis in illiquid scrips in large volume and quantity, those who have defaulted in the past and have suspicious background are to be considered as High risk clients.

MONITORING OF TRANSACTIONS:

- Regular monitoring of transactions is required for ensuring effectiveness of the Anti Money Laundering procedures.
- Special attention required to all complex, unusually large transactions / patterns which appear to have no economic purpose.
- Internal threshold limits are set to specify for each class of client's accounts and pay special attention to the transaction, which exceeds these limits.

- All records of transaction is preserved and maintained in terms of the PMLA 2002 and that transaction of suspicious nature or any other transaction notified under section 12 of the act is reported to the appropriate authority.
- All Suspicious transactions to be regularly reported to the higher authorities / head of the department. Further the Compliance Department should randomly examine selected transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not.

SUSPICIOUS TRANSACTIONS

- Suspicious transactions involve funds which are derived from illegal activities or are transactions that are intended/ conducted in order to hide or disguise funds or assets derived from illegal activities (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any law or regulation or to avoid any transaction reporting requirement under the law;
- The transaction has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the financial institution knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction.
- Criteria giving rise to suspicion:
- It is difficult to define exactly what constitutes suspicious transactions and as such given below is a list of circumstances where transactions may be considered to be suspicious in nature. This list is only inclusive and not exhaustive. Whether a particular transaction is actually suspicious or not will depend on the background, details of the transactions and other facts and circumstances.
 1. Complex /unusually large transactions/ patterns which appear to have no economic purpose.
 2. Client having suspicious background or links with known criminals
 3. Clients whose identity verification seems difficult.

E.g.:

 - i. False identification documents
 - ii. Identification documents which could not be verified within reasonable time
 - iii. Non face to face Client
 - iv. Doubt over the real beneficiary of the account
 - v. Accounts opened with names very close to other established business entities.

4. Client appears not to co-operate.
5. Use of different accounts by Client alternatively.
6. Sudden activity in dormant accounts
7. Multiple accounts
 - i. Large number of account having a common account holder, authorized signatory with no rationale
 - ii. Unexplained transfers between multiple accounts with no rationale
8. Asset management services for clients where the sources of funds is not clear or not in keeping with the clients' apparent standing/business activity
9. Substantial increase in business without apparent cause (Unusual activity compared to past transactions)
10. Activity materially inconsistent with what would be expected from declared business
11. Inconsistency with clients apparent financial standing
12. In any account circular trading
13. Unusual transactions by Clients of Special Category (CSCs) and business undertaken by shell corporations, offshore banks/financial services, businesses reported to be in the nature of export-import of small items
14. A transaction which gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime.
15. A transaction which appears to be a case of insider trading
16. Transactions that reflect likely market manipulations
17. Suspicious off market transactions
18. Value of transaction just under the reporting threshold amount in an apparent attempt to avoid reporting
19. Inconsistency in the payment pattern by the client
20. Trading activity in account of high risk clients based on their profile, business pattern and industry segment
21. Accounts based as 'passed through'. Where no transfer of ownership of securities or trading is occurred in the account and the account is being used only for funds transfers / layering purposes.
22. Large deals at prices away from the market
23. Suspicious off market transactions

24. Purchases made in one client's account and later on transferred to a third party through off market transactions through DP Accounts;
25. Multiple transactions of value just below the threshold limit specified in PMLA so as to avoid possible reporting;

Submission of Suspicious Transactions Reports:

Submission of such reports shall be made within the time limit prescribed as follows :-

- Suspicious transaction reports shall be submitted in writing or by fax or electronic mail within three working days from the date of occurrence of the transactions.
- Any suspicion transaction needs to be notified immediately to the “Designated Principal Officer”. The notification may be done in the form of a detailed report with specific reference to the client's transactions and the nature or reason of suspicion. However, it should be ensured that there is continuity in dealing with the client as normal until told other wise and the client should not be told of the report or suspicion.
- In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken.

RECORD KEEPING

For the purpose of the record keeping provision, we should ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PLM act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars. Records to be maintained should be sufficient to permit reconstruction of individual transactions (including the amounts and type of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behavior. 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 financial profile of the suspect's account. To enable this reconstruction, Organization should 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;
- c. The origin of the funds;
- d. The form in which the funds were offered or withdrawn, e.g. cash, cheques, etc;
- e. The identity of the person undertaking the transaction;

- f. The destination of the funds;
- g. The form of instruction and authority.

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

MAINTENANCE / RETENTION OF THE RECORDS:

Following are the Document Retention Terms should be observed:

1. All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period of FIVE YEARS (5) from the date of cessation of the transaction.
2. Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the FIVE YEARS (5) from the date of cessation of the transaction.
3. Records shall be maintained in hard and soft copies.
4. In situations where the records relate to on-going investigation or transactions, which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.

EMPLOYEES HIRING, EMPLOYEES TRAINING AND INVESTOR EDUCATION:

Hiring of Employees

We have adequate screening procedures in place to ensure high standards when hiring employees. Having regard to the risk of money laundering and terrorist financing and the size of the business, we ensure that all the employees taking up such key positions are suitable and competent to perform their duties. The Company HR is instructed to cross check all the references and should take adequate safeguards to establish the authenticity and genuineness of the persons before recruiting. The department should obtain the following documents:

1. Photographs
2. Proof of address
3. Identity proof
4. Proof of Educational Qualification

Training On Prevention of Money Laundering

The Company shall provide anti-money laundering training to all its new employees at the time of joining the organization and updates would be provided on periodic basis initially half yearly / yearly basis to its all employees. The training shall review applicable money laundering laws and recent trends in money laundering activities as well as the Company's policies and procedures to combat money laundering, including how to recognize and report suspicious transactions.

Investor Education

As the implementation of AML / CFT measures being sensitive subject and requires us to demand and collect certain information from investors which may be of personal in nature or has hitherto never been called for, which information include documents evidencing source of funds / income tax returns / bank records etc. and can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information. There is, therefore, a need for us to sensitize the clients about these requirements, as the ones emanating from AML and CFT framework. We shall circulate the PMLA Circulars and other specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT program. 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.

REPORTING (DISCLOSURE) OF SUSPICIOUS ACTIVITY

The 'Principal Officer' shall report the information relating to suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address as may modified by the SEBI from time to time:

Director, FIU-IND,
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat,
Chanakyapuri,
New Delhi – 110021

The reporting requirements and formats specified by FIU from time to time. If any employee suspects or has reasonable ground to believe that a customer is involved in money laundering must promptly be reported to the Principal Officer. It should be ensured that the securities or money pertaining to suspicious trades should not be returned. However, the relevant authorities should be consulted in determining what action should be taken. The principal officer shall also report transactions "legally connected" "transactions remotely connected or related to suspicious transactions. No restrictions should be put on operations in the accounts where an STR has been made. All directors, officers and employees (permanent and temporary) are prohibited from

disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND.

REVIEW OF PMLA/CFT PROCEDURES

The policy shall be reviewed from time to time as and when required by the Management and also implement the change after any change in the Anti Money Laundering Act 2002 or change in any other act, bye-laws, rules, regulations of SEBI, CBI or in any statutory and regulatory government department related to or affect to this.

Note : This policy has been considered and adopted by the Board of Directors of the Company as per their meeting held on 19.02.2018 as item no. 6.