

**P.C.S. Commodities Pvt. Ltd**  
**Policy on Prevention of Money Laundering**

**Version 2.1**

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**This Anti-Money Laundering (AML) Policy (the Policy) has been prepared in accordance Prevention of Money Laundering Act, 2002 (PMLA Act). This Policy also takes into account the provisions of the PMLA Act and other Rules laid down by SEBI, FMC and FIU.**

**1. Background: Money laundering is defined as disguising the source or ownership of illegally obtained/ gained funds/money to make them appear arising out of legitimate source or hiding money to avoid paying taxes and thereby converting black money into white money or using legally obtained money in pursuit of unlawful activities. Money laundering takes place in three phases. The first phase is placement when bulk cash is deposited into banking system or pumped into any legitimate system using funds from illegal activities. The Second phase is layering where multiple transactions are used to separate the proceeds from there illegal source. The third phase is integration where these illegal funds are mixed with apparently legitimate business earnings.**

### **Objective**

The objective of this policy framework is to:

- a) Create awareness and provide clarity on KYC standards and AML measures.
- b) To have a proper Customer Due Diligence (CDD) process before registering clients.
- c) To monitor/maintain records of all cash transactions of the value of more than Rs.10 lacs.
- d) To maintain records of all series of integrally connected cash transactions within one calendar month.
- e) To monitor and report suspicious transactions.
- f) To discourage and identify money laundering or terrorist financing activities.
- g) To take adequate and appropriate measures to follow the spirit of the PMLA.

### **Applicability:**

These policies and procedures apply to all employees of PCS Commodities Pvt. Ltd. and all its subsidiaries and are to be read in conjunction with the existing guidelines. The following procedures have been established to ensure that all employees know the identity of their customers and take appropriate steps to combat money laundering.

**2. Statement of Policy:** Most developed countries (including Australia, Hong Kong, Singapore, Taiwan and the UK) have laws making it a criminal offence for a company or an individual to assist in the laundering of the proceeds of serious crime.

The Firm conducts its business in conformity with all laws and regulations of the jurisdictions in which it transacts business. In order to ensure that the Firm meets its legal obligations, employees of P.C.S Commodities Pvt. Ltd (hereinafter called the “**P.C.S Commodities**”) must be mindful of the problem of money laundering and constantly vigilant for signs of such activity. Every effort must be made to "know" and verify the identity of the Firm's customers, to be aware at all times of what might constitute a suspicious transaction or suspicious counterparty behavior, to adhere to appropriate account opening and record-keeping procedures, and to observe P.C.S Commodities procedure for reporting suspicious circumstances to Management, Compliance and the relevant authorities.

Recognizing and combating money laundering: "Know Your Customer" The types of transactions which may be used by a money launderer are almost unlimited, making it difficult to define a suspicious transaction. It is, however, reasonable to question a transaction which may be inconsistent with an investor's known, legitimate business or personal activities or with the normal business for that type of investor. Hence, the first key to recognition is to "know your customer". Employees should be sensitive to potential warning signs of money laundering. When establishing a relationship, maintaining a relationship or providing services, especially when dealing with a client infrequently, all reasonable steps must be taken to determine, to verify where necessary, and to remain apprised of the identity, financial position and business objectives of the client. Client identification must be carried out before any dealing takes place and the Firm's account opening form must be completed and processed for every new account.

The Forward Markets Commission (FMC) vide circular no: 07.01.2008-MKT-II dated 30.10.2009 and vide its letter no. 7/1/2013-MKT-1(A) dated February 04, 2015 has, in order to protect the commodity derivatives market from the menace of money laundering, felt it necessary to bring the members of commodity exchanges within the reporting ambit of Prevention of Money Laundering Act 2002 (PMLA). The master circular is being issued as per the provisions of rule 9(14) of the PML rules, 2005 and with a view to (a) Preventing Money Laundering and (b) Combating financing of terrorism in the Commodity Derivatives Markets (CDM) in India. Commodity Exchanges recognized or registered under the Forward Contracts (Regulation) Act, 1952 and their members have been brought under the ambit of the Prevention of Money Laundering Act, 2002 through an amendment to the said Act in 2012 (No.2 of 2013) w.e.f 15<sup>th</sup> February 2013. The objective is to have in place adequate policy, practice and procedure that promote professional standards and help the Company to be prevented from being used, intentionally or unintentionally for money laundering. KYC Standards and AML Measures would enable the Company to know/understand its customers, the beneficial owners in case of non-individual entities, the principals behind customers who are acting as agents and their financial dealings better which in turn will help the Company to manage its risks prudently.

**Implementation of requests received from foreign countries under U.N. Securities Council Resolution 1373 of 2001.**

i. U.N. Security Council Resolution 1373 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly, by such persons and associated persons and entities.

ii. To give effect to the requests of foreign countries under U.N. Security Council Resolution 1373, the Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the UAPA nodal officer for IS-I Division for freezing of funds or other assets.

iii. The UAPA nodal officer of IS-I Division of MHA, shall cause the request to be examined, within five working days so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be electronically forwarded to the nodal officer in SEBI. The proposed designee, as mentioned above would be treated as designated individuals/entities.

iv. Upon receipt of the requests from the UAPA nodal officer of IS-I Division, the list would be forwarded to stock exchanges, depositories and intermediaries and the procedure as enumerated at paragraphs 2.9.2 (a) and (b) shall be followed.

v. The freezing orders shall take place without prior notice to the designated persons involved.

**Employees should be sensitive to potential warning signs of money laundering.**

When establishing a relationship, maintaining a relationship or providing services, especially when dealing with a client.

Infrequently, all reasonable steps must be taken to determine, to verify where necessary, and to remain apprised of the identity, financial position and business objectives of the client. Client identification must be carried out before any dealing takes place and the company's account opening form must be completed and processed for every new account.

**Definition of Money Laundering (ML)**

ML is the processes by which criminals attempt to disguise the true origin of the proceeds of their criminal activities by the use of the financial system so that after a series of transactions, the money, its ownership and the income earned from it appear to be legitimate. According to Financial Action Task Force (FATF), ML is the processing of criminal proceeds in order to disguise their illegal origin.

This process is often achieved by converting the illegally obtained proceeds from their original form, usually cash, into other forms such as deposits or securities and by transferring them from one financial institution to another, using the account of apparently different persons or businesses. Section 3 of PMLA, describes the offence of ML as under:

“Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering.”

### **Money Laundering Cycle**

The process of ML, regardless of its degree of complexity, is accomplished in three stages, namely the placement stage, layering stage and integration stage.

#### **(i) Placement Stage**

This involves the physical movement of the cash proceeds. For most criminal transactions, cash is the most common medium of exchange and criminals who accumulate large volumes of cash are the most vulnerable to detection and seizure. As a result, money launderers will attempt, through placement, to channel the funds into a bank.

#### **(ii) Layering Stage**

After the funds enter a bank, the money launderer will further separate the illicit proceeds from their illegal source through a process of layering. Layering occurs by conducting multiple, complex, financial transactions that make it difficult to link the money to an illegal activity. Layering disguises or eliminates the audit trail.

#### **(iii) Integration Stage**

During this process the money launderer will integrate the illicit funds into the economy by providing what appears to be a legitimate explanation for his or her illicit financial wealth. For example, integration of these proceeds might include the purchase of real estate, businesses, securities, automobiles or gems & jewellery. Integration moves the funds back into the economy with the appearance of being normal business earnings. It would become extremely difficult at this point for a bank to distinguish between illicit funds and legitimate funds.

All other rules, regulations, notifications issued by the Government of India from time to time in that behalf.

Regulators basic objective is that Members have adequate controls and procedures in place so that they know the customers with whom they are dealing.

### **(i) Financial Intelligence Unit (FIU) – INDIA**

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

### **(ii) Policy and procedures to Combat Money Laundering and Terrorist Financing**

PCS Commodities Pvt. Ltd. has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame work for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to FIU as per the guidelines of PMLA Rules, 2002. Further, member shall regularly review the policies and procedures on PMLA and Terrorist Financing to ensure their effectiveness.

### **3. Implementation of this Policy**

In terms of Rule 2 (ba) of the PML Rules, the Company has appointed Mr. Paresh Shah, as the Designated Director to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules. The Designated Director will ensure filing of necessary reports with the Financial Intelligence Unit (FIU –IND). The company has appointed Mr. Sanjay Patel as the Principal Officer the Principal Officer The Principal officer appointed 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. As a matter of principle, it is advisable that the 'Principal Officer' is of a sufficiently senior position and is able to discharge the functions with independence and authority. Compliance of the provisions of the PMLA and AML Guidelines.

Obligation to establish policies and procedures

Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need for financial institutions, including securities / commodities market intermediaries, to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing. The PMLA is in line with these measures and mandates that all intermediaries ensure the fulfillment of the aforementioned obligations.

To be in compliance with these obligations, the senior management of PCS Commodities shall be fully committed to establishing appropriate policies and procedures for the prevention of Money Laundering and Terrorist Financing and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. The Registered Intermediaries shall:

- (a) Issue a statement of policies and procedures, 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 a system in 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:**

- Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities / commodities transactions, money and client records etc. whether in branches, departments or subsidiaries;
- Client acceptance policy and client due diligence measures, including requirements for proper identification;
- Maintenance of records;
- Compliance with relevant statutory and regulatory requirements;
- Co-operation with the relevant law enforcement authorities, including

- the timely disclosure of information; and
- 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

#### **4. Customer Due Diligence**

- The main aspect of this policy is the Customer Due Diligence Process which means:
  - a. Obtain sufficient information to identify persons who beneficially own or control securities accounts. Wherever it is apparent that the securities/commodities 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 on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.
  - b. Verify the customer's identity using reliable, independent source document, data or information.
  - c. Identification of 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;
  - d. 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 provided in relation to (c);
  - e. Understand the ownership and control structure of the client.
  - f. Conduct ongoing due diligence and scrutiny, i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the

client, its business and risk profile, taking into account, where necessary, the client's source of funds.

- g. Registered Intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.
- h. Annually update all documents, data or information of all clients & beneficial owners collected under CDD process provided the client provide the information.
- i. We do not rely on third party for carrying out Client Due Diligence (CDD).

- **Consequences of non-furnishing of information**

Where Employees are unable to apply appropriate CDD measure/KYC measures due to the non-furnishing of information and/or non-cooperation by the Client or in cases where it is not possible to ascertain the identity of the client, or the information provided to is suspected to be non-genuine, or there is perceived non co-operation of the client in providing full and complete information, such situations should be brought to the notice of the Designated Officer.

The Designated Officer may, after consulting with the senior management, consider closing the Client's account or terminating the business relationship and if found necessary, file a suspicious activity report with Financial Intelligence Unit (FIU). He/she shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account.

The Employees shall be cautious to ensure that the securities/commodities or money of the Client that may be linked to the suspicious trades is not returned. However, the Designated Officer shall consult the relevant authorities in determining what action shall be taken in case of such suspicious trading.

- **Risk parameters**

The following factors shall be taken into account while assessing risk or monitoring suspicious transactions:

- a) Country of residence / registered office of the Client;
- b) nature of business
- c) trading turnover;
- d) manner of making payments for transactions; and

- e) Clients with dubious reputation or a criminal or political record as per public information available.

**5. The Customer due Diligence Process includes three specific parameters:**

- a. Policy for Acceptance of Clients
- b. Client Identification Procedure
- c. Suspicious Transactions identification & reporting

**Customer Acceptance Policy:**

**Each client should be met in person:**

We ensure that the existing guidelines regarding Customer/business acceptance is strictly followed. Existing /past relationship with the client should be verified and ensure that the client is not on the negative list/defaulters list.

Accept client whom we are able to meet personally either the client should visit the office / branch (if any) or concerned official may visit the client at his residence / office address to get the necessary documents filled and signed. Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client or it is known to any employee or director of the company.

In case of accounts are opened in the name of NRI. (If the company cannot personally verify the NRIClient), the company / KYC team shall ensure the photocopies of all the KYC documents/ Proofs and PAN Card are attested by Indian Embassy or Consulate General in the country where the NRI resides. The attesting authority affixes a "Verified with Originals" stamp on the said documents. The photocopies of the KYC documents and PAN Card should be sign by NRI. If the NRI comes in person to open the account, the above attestation are required may be waived.

Detailed search to be carried out to find that the Client is not in defaulters / negative list of regulators. (Search should invariably be carried out on SEBI website [www.sebi.gov.in](http://www.sebi.gov.in), CIBIL website [www.cibil.com](http://www.cibil.com) and Ministry of Company Affairs sponsored website [www.watchoutinvestors.com](http://www.watchoutinvestors.com). etc.)

**Accepts client on whom we are able to apply appropriate KYC Procedures:**

Obtain complete information from the client. It should be ensured that the initial forms taken by the client are filled in completely. All photocopies 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 FMC / Securities and Exchange Board of India (SEBI) and relative exchanges are obtained and verified.

**Do not accept clients with identity matching persons known to have criminal background:**

Check whether the client's identity matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement / regulatory agency worldwide.

KYC team shall check following sites before admitting any person as client:

- <http://www.un.org/sc/committees/1267/consolist.shtml>
- <http://www.un.org/sc/committees/1988/list.shtml>
- www.sebi.gov.in: for prosecution database and vanishing companies' database.
- www.fatf-gafi.org
- [www.watchoutinvestor.com](http://www.watchoutinvestor.com)

**Be careful while accepting Clients of Special category:**

We should be careful while accepting clients of special category like:

- i. Non-Resident clients
- ii. High net-worth clients,\*
- iii. Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations.
- iv. Companies having close family shareholdings or beneficial ownership
- v. Politically Exposed Persons (PEP) Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The additional norms applicable to PEP as contained in the subsequent paras of this circular shall also be applied to the accounts of the family members or close relatives of PEPs.
- vi. Companies offering foreign exchange offerings
- vii. Clients in high risk countries (like Libya, Pakistan, and Afghanistan etc) where existence / effectiveness of money

laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production, countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, countries against which government sanctions are applied, countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.

- viii. Non face to face clients
- ix. Clients with dubious reputation as per public information available etc.
- x. persons of foreign origin, companies having closed share holding / ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, -.
- xi. Current/Former Head of State, Current / Former senior high profile politician, - Or clients from high risk countries
- xii. Clients belonging to countries where corruption / fraud level is high (like Nigeria, Burma etc.)

**\* High Net worth clients means:**

High net worth clients could be classified if at the account opening stage or during the course of the relationship, it is realized that the client's investments or the appetite for investment is high.

Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category. Client of special category should be categorized as high risk client. Member shall closely examine the transaction in order to ensure they are consistent with Client business and risk profile. In case of High risk category due care and caution should be exercised at the acceptance stage itself. The profile of Clients has to be updated regularly.

**Do 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. The employees shall follow the applicable SEBI/FMC guidelines.

## **6. Customer Identification Procedure (FOR NEW CLIENTS)**

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

- a. Before opening the accounts, there should have to be a personal interaction with the client except in the case of NRIs where the power of attorney holder is the Authorised dealer Bank.
- b. Before opening the accounts in case of companies any one of the following viz main promoter/ Managing Director/ whole time director / key management person and in the case of partnership any one of the active partners should be met in person.
- c. Caution is to be exercised when identifying companies which appear to be 'shell companies' or 'front companies'. Shell/front companies are legal entities which have no business substance in their own right but through which financial transactions may be conducted.
- d. In case of clients acting through Power of Attorneys the Principal and agent should come in person for the first time, except where the client is a NRI and the designated branch of the Authorised Dealer Bank is holding the power of attorney. Photos of both to be obtained along with signatures on the photos. The KYC Form, Agreement and the Disclosure Document must compulsorily be signed by the Client himself and not by the POA holder except in case of NRI\* clients if the POA holder is the designated branch of the authorized dealer.
- e. Original of un-expired Photo identity of individual/promoter/director to be verified by our official for identifying the client. Signature of the persons should be obtained on the photos. Photocopy of the proof should be taken by our official who should also certify thereon about having verified with the unexpired original.

### **Documents which can be relied upon:**

- **PAN Card:**

PAN Card is mandatory and is most reliable document as it is unique to each individual and is valid for the life time of the holder and we can independently check its genuineness through IT Websites.

- **Identity Proof:**

PAN Card itself can be served 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, Passport, Ration

Card or any Government / PSU / Bank issued photo identity card / Aadhaar Card.

- **Address Proof:**

For Valid address proof, we can rely on Voter's Identity Card, Passport, Bank Statement, Aadhaar Card, Ration Card and latest Electricity / telephone bill in the name of the client. The utility bill should be not more than three months old while entering in to relationship with the clients.

**Documents to be obtained as part of customer identification procedure for new clients (un expired Original should be verified):**

A. **Proof of Identity (POI):** - List of documents admissible as Proof of Identity:

- Unique Identification Number (UID) (Aadhaar)
- Passport
- Voter ID card
- Driving license.
- PAN card with photograph.
- Identity card/ document with applicant's Photo, issued by any of the following:
  - Central/State Government and its Departments, Statutory/Regulatory Authorities,
  - Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions,
  - Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar
  - Council etc., to their Members; and Credit cards/Debit cards issued by Banks

B. **Proof of Address (POA):** - List of documents admissible as Proof of Address:

(\*Documents having an expiry date should be valid on the date of submission.)

- Unique Identification Number (UID) (Aadhaar)
- Passport
- Voters Identity Card
- Ration Card
- Registered Lease or Sale Agreement of Residence/ Driving License/ Flat Maintenance bill/ Insurance Copy.

- Utility bills like Telephone Bill (only land line), Electricity bill or Gas bill - Not more than 3 months old.
- Bank Account Statement/Passbook -- Not more than 3 months old.
- Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
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- Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
- Proof of address issued by any of the following: Bank Managers of Scheduled Commercial Banks/Scheduled Co-operative Bank/Multinational Foreign Banks/Gazetted Officer/Notary public/Elected representatives to the Legislative Assembly/Parliament/Documents issued by any Govt. or Statutory Authority.
- Identity card/document with address, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.
- For FII/sub account, Power of Attorney given by FII/sub-account to the Custodians (which are duly notarized and/or apostiled or consularised) that gives the registered address should be taken.
- The proof of address in the name of the spouse may be accepted.

In case of Non-Individuals, additional documents to be obtained from non-individuals, over & above the POI & POA, as mentioned below:

<b>Types of entity</b>	<b>Documentary requirements</b>
<b>Corporate</b>	<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>• Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD (to be submitted every year).</li> <li>• Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations.</li> <li>• Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly.</li> <li>• Copies of the Memorandum and Articles of Association and certificate of incorporation.</li> <li>• Copy of the Board Resolution for investment in securities / commodities market.</li> <li>• Authorised signatories list with specimen signatures.</li> </ul>
<b>Partnership firm</b>	<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>• Certificate of registration (for registered partnership firms only)</li> <li>• Copy of partnership deed.</li> <li>• Authorised signatories list with specimen signatures.</li> <li>• Photograph, POI, POA, PAN of Partners.</li> </ul>
<b>Trust</b>	<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>• Certificate of registration (for registered trust</li> </ul>

	<p>only).</p> <ul style="list-style-type: none"> <li>• Copy of Trust deed.</li> <li>• List of trustees certified by managing trustees/CA.</li> <li>• Photograph, POI, POA, PAN of Trustees.</li> </ul>
<b>HUF</b>	<ul style="list-style-type: none"> <li>• PAN of HUF.</li> <li>• Deed of declaration of HUF/ List of coparceners.</li> <li>• Bank pass-book/bank statement in the name of HUF.</li> <li>• Photograph, POI, POA, PAN of Karta.</li> </ul>
<b>Unincorporated Association or a Body of Individuals</b>	<ul style="list-style-type: none"> <li>• Proof of Existence/Constitution document.</li> <li>• Resolution of the managing body &amp; Power of Attorney granted to transact business on its behalf.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
<b>Banks/Institutional Investors</b>	<ul style="list-style-type: none"> <li>• Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
<b>Foreign Institutional Investors</b>	<ul style="list-style-type: none"> <li>• Copy of SEBI registration certificate.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
<b>Army/Government Bodies</b>	<ul style="list-style-type: none"> <li>• Self-certification on letterhead.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
<b>Registered Society</b>	<ul style="list-style-type: none"> <li>• Copy of Registration Certificate under Societies Registration Act.</li> <li>• List of Managing Committee members.</li> <li>• Committee resolution for persons authorised to act as authorised signatories with specimen signatures.</li> <li>• True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.</li> </ul>

**C. List of people authorized to attest the documents:**

- ♦ Notary Public, Gazetted Officer, Manager of a Scheduled Commercial/ Co-operative Bank or Multinational Foreign Banks (Name, Designation & Seal should be affixed on the copy).
- ♦ In case of NRIs, authorized officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy /Consulate General in the country where the client resides are permitted to attest the documents.

**D.** In case of an NRI account – Repatriable / non-repatriable, the following documents are required: For non-residents and foreign nationals, (allowed to trade subject to RBI and FEMA guidelines), copy of passport/PIO Card/OCI Card and overseas address proof is mandatory.

**E.** In the case of joint account, the above procedure should be carried out for all the persons who hold the joint account.

**Member may rely on a third party for the purpose of:**

1. Identification and verification of the identity of a client and
2. 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 monitor for, and have measures in place for compliance with CDD and record keeping requirement in line with the obligations under the PML Act.
3. 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 regulation and circulars / Guidelines issued by SEBI from time to time. Further, it is clarified that Member shall be ultimately responsible for CDD and undertaking enhanced due diligence measures as applicable. (SEBI Circular CIR/MISRD/1/2014dated 12.03.2014).

**Money Laundering risk assessments**

Risk assessment on money laundering is dependent on kind of customers the Company deals with. Typically, risks are increased if the money launderer can hide behind corporate structures such as limited companies, offshore trusts, special purpose vehicles and nominee arrangements.

The Risk Assessment is required in order to assess and take effective measures to mitigate its money laundering and terrorist financing risk

with respect to clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients etc.

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 Resolutions these can be accessed at

- [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml)
- <http://www.un.org/sc/committees/1988/list.shtml>

### **Classification of Clients-**

The level of Money Laundering (ML) risks that the Company is exposed to by an investor relationship depends on:

- a. Type of the customer and nature of business
- b. Type of product/service availed by the customer
- c. Country where the Customer is domiciled

Based on the above criteria, the customers may be classified into three Money laundering relationship depends on:

The guidelines define certain minimum standards of account documentation for all new customer relationships, to enable the Company to understand the nature of the customer's business, carry evidence of key data regarding the customer and its principal owners/ signatories and understand the type and level of activity that is to be considered as normal in the customer's account Customers may be classified in the following risk categories.

Broadly speaking clients can be specified in following three categories

#### **Low risk clients**

Low risk client includes clients who satisfy following criteria: One who provides all documents at the time of account opening without any delay?

- Resident of India
- Proofs verified with originals
- Provides income proof
- Providing two or more references
- No delegation of authority for operation of account
- Always provide Commodities and funds in time
- Places order within reasonable period of time
- Turnover in line with Financial's.
-

**Grouping Parameters:****Remarks Risk Category**

1. Low Turnover with Financial Income	Low
2. Govt Employees	Low
3. Retired Employees	Low
4. Agriculture	Low
5. Provides income proof	Low
6. Turnover in line with Financials.	Low

**Medium risk client:** Any client who cannot be comfortably placed in neither in Low risk nor in high risk category.

**Grouping Parameters**

<b>Remarks</b>	<b>Category</b>	<b>Risk</b>
1. Cheque bounce 50000/- or below (One Time Only)		Medium
2. Medium Turnover financial income		Medium
3. Brokerage Firm Employees		Medium

**High risk client:** includes all clients mentioned under Special category of clients and any client against whom any order is passed by regulatory authorities or any investigation is launched which is pending Any client against whom any regulatory order is passed for accessing market then such client will automatically be black listed and no further trading should be done for those accounts.

**Grouping Parameters**

<b>Remarks</b>	<b>Category</b>	<b>Risk</b>
1. Cheque bounce 50000/- or above (More than one time)		High
2. High Brokerage with Low financial income		High
3. High Turnover with Low financial income		High
4. Top 100		High
5. Advocates		High
6. Builders		High
7. Politicians		High
8. City (area) with Location disadvantage		High
9. Any large activity in Dormant Account.		High
10. Large number of off market transfers in his beneficiary a/c.		High
11. Suspicious Trades		High

12. Sudden High Activity in Dormant account	High
13. Political back ground family members	High
14. Unusually large transaction	High
15. Client is having suspicious background or link with known criminals	High
16. Clients whose identity verification seems difficult	High
17. Clients who do not co-operate	High
18. Use of different accounts by client alternatively	High
19. Any account used for circular trading	High
20. Non face to face clients	High

### **Identifying beneficial owners:**

#### **A. 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:

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:

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

In cases where there exists doubt under clause 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.

- ✓ 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.

**B. For client which is a trust:**

Where the client is a trust, the intermediary 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 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.

**C. 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.

**D. Applicability for foreign investors:**

Members dealing with foreign investors" viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBIcircular CIR/MIRSD/11/2012 Dated September 05,2012 for the purpose of identification of beneficial ownership of the client.

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

**7. Continuous Due Diligence:**

- It is duty of every client manager/client owner to satisfy himself about the financial soundness and investment objectives of client.
- All Executives/Sales person should carry on independent grading of his/her client on periodical basis (say 18 or 12 months) and intimate Compliance department of his finding highlighting adverse change in grading.
- Investment size/order sizes are commensurate with annual income disclosed by client.
- Verify sources of fund disclosed by clients.
- Maintain continuous familiarity and follow up with clients where any inconsistency in the information is provided.
- Back office members should immediately inform Operations head/Accounts head who in turn will inform Principal Officer about any

transaction which is inconsistent with client regular trading activity or if funds and Commodities are coming from account other than account specified by client or if they receive request to transfer fund or Commodity to account other than designated account.

- Never make client aware of your suspicion.

## **8. Record Keeping**

Member shall ensure compliance with the record keeping requirements contained in the FMC, SEBI Act, 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

All documents & records which 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 behavior shall be maintained.

If there is any laundered money or terrorist property, Member shall retain the following information for the accounts of clients in order to maintain a satisfactory audit trail to facilitate the investigating authorities: a ) the beneficial owner of the account b ) the volume of the funds flowing through the account; and c) for selected transactions: the origin of the funds; the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc. the identity of the person undertaking the transaction; the destination of the funds; the form of instruction and authority.

Ensure that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, they should retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the FMC Act, SEBI Act, Rules and Regulations framed there-under PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

- a) Maintenance of records pertaining to transactions of clients is preserved in a manner that allows easy and quick retrieval of data as and when requested by competent authority, for a period of five years.
- b) Records evidencing the identity of clients and beneficial owners as well as account files and business correspondence shall maintained and preserved for a five years after the business relationship between a client and Member has ended or the account has been closed whichever is later. In situations where the on-going investigations or transactions which have been subject of a suspicious transactions

reporting, they shall be retained until it is confirmed that the case has been closed.

- c) Member shall maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, for a period of five years from the date of the transactions between the client and the intermediary.
- d) Further, the records mentioned in Rule 3 of PMLA Rules have to be maintained and preserved for a period of five years from the date of transactions between the client and intermediary.
- e) The intermediary shall 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 within the intermediary.
- f) Further, 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.

In case of transactions where any investigations by any authority has been commenced and in the case of transactions which have been the subject of suspicious transaction reporting all the records shall be maintained till the authority informs of closure of the case. More specifically, Member has put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

- all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh
- all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

## **9. Information to be maintained**

Member has to maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

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

## **10. Monitoring of Transactions and Reporting**

In terms of the PMLA rules, Intermediaries are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit- India (FIU-IND)

The members of the exchanges are required to put in place a mechanism to monitor the transactions being conducted through it. For this we have to keep a tab on the transaction profile of the clients. This would help us in identifying the abnormal trade profile of the suspected clients.

- Any transaction of retail clients of value exceeding 1 Crore should be reported to compliance department if it's an irregular transaction, transaction is irregular (I )if the size of order is not commensurate with client income level disclosed or if it's more than his usual order size. (ii) If the order is placed by dormant client i.e. order placed by client after a period of 1 year from his/her last transaction.
- Any transaction which does not make economic sense or is complex or unusually large should be immediately brought to the notice of respective head of department and Compliance department.
- All documents, slips, recordings etc. related to any suspicious transactions should be preserved as per record keeping policy.
- Compliance Department will do random checking from transaction value of which exceeds 1 Crore on monthly basis and report its finding to management and if necessary to relevant authorities.
- Value of the transaction not in proposition with the financial income declared by the client.
- Any client dealing in the Commodity and contributing more than 10% of the total quantity of that Commodity in comparison with the total quantity traded in the exchange.
- Any matching transaction with in PCS bought by the client and sold by the client.

- Any large activity in dormant account.
- Any transaction/ order which arises the suspicion of any employee should be diligently and immediately informed to compliance department.
- List of black listed client and suspicious clients will be maintained for reference of employees. Whereas no trading should be done for clients mentioned in black list for trading of clients in suspicious list one has to be vigilant.
- All the persons who are debarred/warned by FMC/Exchanges to access capital/Commodity market will be black list clients or any client against whom firm has reported to authorities for alleged money laundering activities and matter is still pending before or order is given against client.
- Alerts generated by monitoring the transactions will be forwarded to the board and the board will decide it to report STR or not.
- 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 take place within one calendar month.
- All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as demat account, maintained by the registered intermediary.

**An illustrative list is provided below for reference of employees as what could be a suspicious transaction.**

- a) Clients whose identity verification seems difficult or clients appears not to cooperate
- b) Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;
- c) Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
- d) Substantial increases in business without apparent cause ;
- e) Unusually large cash deposits made by an individual or business;
- f) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- g) Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks /financial services, businesses reported to be in the nature of export-import of small items.
- h) Requests to transfer money or Commodities to third parties with or without any known connection to our customers.

- i) The transaction is not in keeping with the counterparty's normal activity.
- j) The transaction is unusual, e.g., with respect to normal market size and frequency.
- k) There is an unusual and unnecessary involvement of an intermediary.
- l) The transaction is not settled in the normal manner, e.g., an offer to settle in cash or settlement by registration or delivery of Commodities to a third party.
- m) Settlement is made by way of bearer Commodities from outside a recognized clearing system.
- n) Cash movements in and out of an account within a short period of time.
  - o Cash transaction of value of Rs. 10 lacs
  - o Cash transaction aggregating to 10lacs within a calendar month's time.
  - o Any other suspicious transaction whether made in cash or not.

Any suspicion transaction should be immediately notified to the Money Laundering Control Officer/Principal officer or any other designated officer within the intermediary. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it should be ensured that there is continuity in dealing with the client as normal until told otherwise and the client should not be told of the report/suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken.

## **11. Co-operation with statutory authorities**

Employees shall provide all requisite co-operation and assistance to the relevant statutory authorities, including the Securities and Exchange Board of India ("SEBI") / FMC and shall comply with all lawful instructions that may be issued by such authorities from time to time. In the event of the Employees receiving any summons, requests, notices or demands from SEBI, income-tax or other statutory authorities or being named parties in any legal proceeding, whether in their personal capacity or otherwise, they shall forthwith inform the Designated Officer in writing of the same and furnish all details as may be required by the Designated Officer in this behalf.

## **12. Procedure for freezing of funds, financial assets or economic resources or related services**

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. The obligations to be followed by intermediaries to ensure the effective and expeditious implementation of said Order has been issued vide SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009, which needs to be complied with scrupulously.

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

i. 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 working days. The Joint Secretary (IS-I), MHA, being the nodal officer for (IS-I) 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.

**14. Designation of an officer for reporting of suspicious transaction**  
**Principal Officer:**

Principal Officer shall be responsible for reporting suspicious transactions to the authorities and in identification assessment of potentially suspicious transactions. In the absence of Principal Officer Head operations and

Accounts shall be severally responsible for reporting and assessment in consultation with Director of the Company.

### **Designated Director:**

In addition to the existing requirement of designation of a Principal Officer, the Company is required to designate a person as a 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules, the definition of a Designated Director reads as under:

**“Designated Director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes”**

**The Managing Director or a Whole-time Director duly authorized by the Board of Directors if the reporting entity is a company,**

In terms of Section 13 (2) of the PML Act (as amended by the Prevention of Money-laundering (Amendment) Act, 2012), the Director, FIU-IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of the intermediary to comply with any of its ML/CFT obligations. PCS shall communicate the details of the Designated Director, such as, name, designation and address to the Office of the Director, FIU-IND and any subsequent changes thereof.

### **15. Training and Hiring policy:**

Every employee must undergo anti money laundering training within a week of joining firm. It is duty of every Departmental head to ensure that every new recruit and employee in his/her department have undergone aforesaid training. Further no candidate should be selected who has ever been convicted of offence under Money Laundering Act or any other civil or criminal Act.

- **Policy on Investor Education:**

With a view to discharge our responsibility in the view of PMLA requirement, the Company should endeavor to do the following:

- Provide literature to potential clients which make them aware about the AML/CFT requirement.
- Disseminating / spreading the information amongst the investors/clients via different modes.

### **16. Penalties**

Money laundering and the facilitation of money laundering (including the failure to report suspicious activities) are criminal offences under many laws under which P.C.S Commodities Ltd and its employees have dealings. They may be punishable by lengthy imprisonment for individuals or a fine, or

both. If an employee has any suspicions and report the suspicions about money laundering to the Compliance the employee will have fulfilled his/her obligations under the law. Rigorous adherence to the Firm's policies and procedures will help to protect the employee.

### **17. Reporting to Financial Intelligence Unit-India**

In terms of the PML Rules, PCS is required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

**Director, FIU-IND,  
Financial Intelligence Unit-India,  
6th Floor, Hotel Samrat,  
Chanakyapuri,  
New Delhi-110021.  
Website: <http://fiuindia.gov.in>**

PCS shall carefully go through all the reporting requirements and formats in prescribed as per SEBI Master Circular No.CIR/ISD/AML/3/2010 dated 31-12-2010. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, PCS 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 Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND;

Utmost confidentiality shall be maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address.

No nil reporting needs to be made to FIU-IND in case there are no Cash/suspicious transactions to be reported.

P.C.S Commodities shall not put any restrictions on operations in the accounts where an STR has been made. P.C.S Commodities Pvt Ltd directors, officers and employees (permanent and temporary) shall be 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.

P.C.S Commodities shall maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, for a period of five years from the date of the transaction between the client and the intermediary.

### **Designation of an officer for reporting of suspicious transactions**

To ensure that the registered intermediaries properly discharge their 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. As a matter of principle, it is advisable that the 'Principal Officer' is of a sufficiently senior position and is able to discharge the functions with independence and authority.

### **Review of Policy:**

The aforesaid AML policy is reviewed on yearly basis or as and when any new circulars issued by the SEBI or relative exchanges, within one month of the same with regard to testing its adequacy to meet the compliance requirements of PMLA 2002. The Principal Officer is the authority to give directions to undertake additions, changes, modifications etc. as directed by SEBI/ FIU-IND.

### **List of key circulars/ directives issued with regard to KYC, CDD, AML and CFT**

#### **SCHEDULE I**

<b>S. No.</b>	<b>Circular Number</b>	<b>Date of Circular</b>	<b>Subject</b>	<b>Broad area covered</b>
1.	SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2018/ 104	July 04, 2018	Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of	Standards and Combating the Financing of Terrorism

			Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under	
2.	SEBI/ HO/ IMD/ FIIC/ CIR/ P/ 2017/ 068	June 30, 2017	Acceptance of e -PAN card for KYC purpose	E-PAN issued by CBDT for KYC compliance by FPI
3.	SEBI/ HO/ MRD/ DP/ CIR/ P/ 2016/ 134	December 15, 2016	Master Circulars for Depositories	Opening of BO Accounts
4.	CIR/ IMD/ FPIC/ 123/ 2016	November 17, 2016	Review of requirement for copy of PAN Card to open accounts of FPIs	Verification and submission of PAN Card by FPI
5.	CIR/ MIRSD/ 120 / 2016	November 10, 2016	Uploading of the existing clients' KYC details with Central KYC Records Registry (CKYCR) System by the registered intermediaries	Time lines for registered intermediaries in respect of uploading KYC data of the new and existing individual clients with CKYCR
6.	SEBI/ HO/ IMD / DF3/ CIR/ P / 2016/ 84	September 14, 2016	Master Circular for Mutual Funds	Compliance with AML/ CFT CDD directives of SEBI stipulated in Master Circular dated September 14, 2016
7.	CIR/ MIRSD/ 66/ 2016	July 21, 2016	Operationalization of Central KYC Records Registry (CKYCR)	Authorization of Central Registry of Securitization and Asset Reconstruction and Security interest of India (CERSAI) for receiving, storing, safeguarding, retrieving the KYC records and
8.	CIR/ IMD/	June 10, 2016	Know Your Client (KYC) norms for ODI	Applicability of Indian KYC/AML norms for Client

	FPI&C/ 59/ 2016		subscribers, transferability of ODIs, reporting of suspicious transactions, periodic review of systems and modified ODI reporting format	Due Diligence, KYC Review, Suspicious Transactions Report, Reporting of complete transfer trail of ODIs, Reconfirmation of ODI positions, Periodic Operational Evaluation
9.	CIR/ MIRSD/ 29/ 2016	January 22, 2016	Know Your Client Requirements - Clarification on voluntary adaptation of Aadhaar based e-KYC process	Client identification and authentication from UIDAI, Investment Limit and mode of payment to Mutual Funds, PAN verification, additional due diligence in case of material difference in information
10.	CIR/ IMD/ FIIC/ 11/ 2014	June 16, 2014	Know Your Client (KYC) requirements for Foreign Portfolio Investors (FPIs)	Process to be followed by DDPs to share the relevant KYC documents of FPIs with the banks and record of transfer of documents
11.	CIR/ MIRSD/ 1/ 2014	March 12, 2014	Anti-Money Laundering/Counteracting the Financing of Terrorism (AML/CFT) Obligations of Securities Market Intermediaries under the Prevention of Money laundering Act, 2002 and Rules framed there under	Consequential modifications and additions to Master Circular CIR/ ISD/ AML/ 3/ 2010 dated December 31, 2010 in respect of Risk Assessment, Reliance on third party for carrying out Client Due Diligence (CDD), Record keeping requirements, Records of information reported to the Director, Financial Intelligence Unit - India (FIU-IND), Appointment of a Designated Director
12.	CIR/ MIRSD/ 13/ 2013	December 26, 2013	Know Your Client requirements	Shifting of certain information in Section C of Part I to Part II of the AOF, information required to be captured in the systems of KRAs
13.	CIR/ MIRSD/ 09/ 2013	October 8, 2013	Know Your Client Requirements	Acceptance of e-KYC service launched by UIDAI as a valid process for KYC verification
14.	CIR/ MIRSD/ 07 /	September 12, 2013	Know Your Client Requirements for Eligible Foreign	Partial modification to the provisions of circular No CIR/MIRSD/ 11 /2012

	2013		Investors	dated September 5, 2012, Classification of Eligible foreign investors investing under Portfolio Investment Scheme ('PIS') route as Category I, II and III
15.	CIR /MIRSD/ 4 /2013	March 28, 2013	Amendment to SEBI {(Know Your Client) Registration Agency} Regulations, 2011 and relevant circulars	Modification of circulars dated December 23, 2011 and April 13, 2012, to the extent of requirement for sending original KYC documents of the clients to the KRA
16.	CIR/ MIRSD/ 2/ 2013	January 24, 2013	Guidelines on Identification of Beneficial Ownership	Client Due Diligence to identify and verify the identity of persons who beneficially own or control the securities account for clients other than individuals or trusts and client which is a trust. Exemption in case of listed companies, Applicability for foreign investors and Implementation
17.	CIR/ MIRSD/ 01 /2013	January 04, 2013	Rationalization process for obtaining PAN by Investors	Verification the PAN of clients online at the Income Tax website
18.	CIR/ MIRSD/ 11/ 2012	September 5, 2012	Know Your Client Requirements	Clarifications for Foreign Investors viz. FIIs, Sub Accounts and QFIs w.r.t. implementation of SEBI circulars no. CIR /MIRSD/ 16/ 2011 dated August 22, 2011 and MIRSD/ SE/ Cir-21/ 2011 dated October 5, 2011 on know your client norms
19.	CIR/ MIRSD/ 09 / 2012	August 13, 2012	Aadhaar Letter as Proof of Address for Know Your Client (KYC) norms.	Admissibility of Aadhaar letter issued by UIDAI as Proof of Address in addition to its presently being recognized as Proof of Identity
20.	MIRSD/ Cir-5 / 2012	April 13, 2012	Uploading of the existing clients' KYC details in the KYC	Process to avoid duplication of KYC, guidelines for uploading the KYC data of

			Registration Agency (KRA) system by the intermediaries	the existing clients, Schedule for implementation
21.	MIRSD/ Cir- 26 / 2011	December 23, 2011	Guidelines in pursuance of the SEBI KYC Registration Agency (KRA) Regulations, 2011 and for In-Person Verification (IPV)	Guidelines for Intermediaries, Guidelines for KRAs, Guidelines w.r.t In-Person Verification (IPV)
22.	MIRSD/ Cir-23/ 2011	December 2, 2011	The Securities and Exchange Board of India (KYC Registration Agency) Regulations, 2011.	Centralization of the KYC records to avoid duplication of KYC process
23.	CIR/ MIRSD/ 22/ 2011	October 25, 2011	'In-person' verification (IPV) of clients by subsidiaries of stock exchanges, acting as stock brokers	Clarification w.r.t ultimate responsibility for 'in-person' verification
24.	MIRSD/ SE/ Cir- 21/ 2011	October 5, 2011	Uniform Know Your Client (KYC) Requirements for the Securities Markets	Clarification w.r.t different KYC forms used by Market Intermediaries, Guidelines for KYC form capturing the basic details about the client and additional details specific to the area of activity of the intermediary being obtained
25.	CIR/ MIRSD/ 16/ 2011	August 22, 2011	Simplification and Rationalization of Trading Account Opening Process	Client account opening Process, Client Account Opening Form, Rights & Obligations of stock broker, sub-broker and client for trading on exchanges Uniform Risk Disclosure Documents, Guidance Note detailing Do's and Don'ts for trading
26.	CIR/ ISD/ AML/ 3/ 2010	December 31, 2010	Master Circular on AML/CFT	Anti - Money Laundering (AML) Standards/ Combating the Financing of Terrorism (CFT) / Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under

27.	CIR/ MRD/ DP / 37/ 2010	December 14, 2010	Acceptance of third party address as correspondence address	Capturing of address other than that of the BO as the correspondence address.
28.	CIR/ MRD/ DMS/ 13/ 2010	August 31, 2010	Guidelines on the Execution of Power of Attorney by the Client in favour of Stock Broker/ DP	Clarifications on the Execution of the POA by the client
29.	CIR/ MRD/ DMS/ 13/ 2010	April 23, 2010	Guidelines on the Execution of Power of Attorney by the Client in favour of Stock Broker/ DP	Guidelines on the Execution of Power of Attorney by the Client
30.	CIR/ ISD/ AML/ 2/ 2010	June 14, 2010	Additional Requirements for AML/ CFT	Additional Requirements on retention of documents, monitoring, tipping off, updation of records and other clarifications.
31.	CIR/ ISD/ AML/ 1/ 2010	February 12, 2010	Master Circular – AML/ CFT	Framework for AML/ CFT including procedures for CDD, client identification, record keeping & retention, monitoring and reporting of STRs
32.	SEBI/ MIRSD/ Cir No.02/ 2010	January 18, 2010	Mandatory Requirement of in-person verification of clients.	In-person verification done for opening beneficial owner's account by a DP will hold good for opening trading account for a stock broker and vice versa, if the DP and the stock broker is the same entity or if one of them is the holding or subsidiary.
33.	ISD/ AML/ CIR-2/ 2009	October 23, 2009	Directives on CFT under Unlawful Activities (Prevention) Act, 1967	Procedure to be followed for the freezing of assets of individual or entities engaged in terrorism
34.	ISD/ AML/ CIR-1/ 2009	September 01, 2009	Additional AML/ CFT obligations of Intermediaries under PMLA, 2002 and rules framed	Additional AML/ CFT requirements and clarifications thereon
35.	ISD/	December	Master Circular on	Framework for AML/ CFT

	AML/ CIR- 1/ 2008	r 19, 2008	AML/ CFT directives	including procedures for CDD, client identification, record keeping & retention, monitoring and reporting of suspicious transactions.
36.	MIRSD/ DPSIII/ 130466/ 2008	July 2, 2008	In-Person verification of clients by stock-brokers	Responsibility of stock brokers to ensure in - person verification by its own staff.
37.	MRD/ DoP/ Cir-20/ 2008	June 30, 2008	Mandatory Requirement of PAN	Exception for certain classes of persons from PAN being the sole identification number for all participants trading in the securities market.
38.	F.No.47/ 2006/ ISD/ SR/ 122539	April 4, 2008	In-person verification of BO's when opening demat accounts	In-person verification to be carried out by staff of depository participant.
39.	MRD/ DoP/ Cir- 20/ 2008	April 3, 2008	Exemption from mandatory requirement of PAN.	Exemption for investors residing in the State of Sikkim from PAN being the sole identification number for trading in the securities market.
40.	F.No.47- 2006 /ISD/ SR/ 118153/ 2008	February 22, 2008	In-Person verification of clients by depositories	Clarification on various topics relating to 'in person' verification of BOs at the time of opening demat accounts
41.	MRD/ DoP/ Dep/ Cir- 12/ 2007	Septembe r 7, 2007	KYC Norms for Depositories	Proof of Identity (POI) and Proof of Address (POA) for opening a Beneficiary Owner (BO) Account for non - body corporates
42.	MRD/ DoP/ Cir-05/ 2007	April 27, 2007	PAN to be the sole identification number for all transactions in the securities market	Mandatory requirement of PAN for participants transacting in the securities market.
43.	ISD /CIR/ RR/ AML/ 2/ 06	March 20, 2006	PMLA Obligations Of intermediaries in terms of Rules notified there under	Procedure for maintaining and preserving records, reporting requirements and formats of reporting cash transactions and suspicious

				transactions
44.	ISD/ CIR/ RR/ AML/ 1/ 06	January 18, 2006	Directives on AML Standards	Framework for AML and CFT including policies and procedures, Client Due Diligence requirements, record keeping, retention, monitoring and reporting
45.	SEBI/ MIRSD/ DPS - 1/ Cir-31/ 2004	August 26, 2004	Uniform Documentary Requirements for trading	Requirements for trading Uniform KYC documentar y requirement s for trading on different segments and exchanges
46.	MRD/ DoP/ Dep/ Cir- 29/ 2004	August 24, 2004	Proof of Identity (POI) and Proof of Address (POA) for opening a Beneficiary Owner	Broadening the list of documents that may be accepted as Proof of Identity (POI) and/or Proof of Address (POA) for the purpose of opening a BO Account
47.	SEBI/ MRD/ SE /Cir- 33/ 2003/ 27/ 08	August 27, 2003	Mode of payment and delivery	Prohibition on acceptance/ giving of cash by brokers and on third party transfer of securities
48.	SMDRP/ Policy/ Cir- 36/ 2000	August 4, 2000	KYC Norms for Depositories	Documentary requirements for opening a beneficiary account.
49.	SMD/ POLICY/ CIRCULARS /5-97	April 11, 1997	Client Registration Form	Formats of client Registration Form and broker clients agreements
50.	SMD-1/ 23341	Nov. 18, 1993	Regulation of transaction between clients and members	Mandatory requirement to obtain details of clients by brokers.

