

**Batlivala & Karani Securities India Pvt. Limited**

**POLICY FOR PREVENTION OF MONEY LAUNDERING**

**Introduction:**

International initiatives taken to combat drug trafficking, terrorism and other organized and serious crimes have concluded that financial institutions including securities market intermediaries must establish procedures of internal control aimed at preventing and impeding money laundering and terrorist financing. The said obligation on intermediaries has also been obligated under the Prevention of Money Laundering Act, 2002. In order to fulfill these requirements, there is also a need for registered intermediaries to have a system in place for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to the law enforcement authorities.

**Back ground:**

The Political Declaration and Global Programme of action, annexed to the resolution S-17/2 was adopted by the General Assembly of United Nations at its *seventeenth* special session and the Political Declaration adopted by the special session of the United Nations General assembly calls upon the member states to adopt national money-laundering legislation and programme and it was considered necessary to implement the aforesaid, the Parliament enacted the Prevention of Money Laundering Act 2002 and later amended on 2005. Section 12(1) of the said Act requires that every banking company, financial institution and intermediary shall strictly follow the procedure enumerated in the provisions of the act in its day to day business.

Further to this enactment SEBI issued a circular No. ISD/CIR/RR/AML/1/06 dated 18<sup>th</sup> January 2006, guidelines setting out the steps that a registered intermediary and its representatives, should implement to discourage and identify any money laundering or terrorist financing activities considering the specific nature of its business, organizational structure, type of customers and transactions.

**Aim:**

We are therefore required by SEBI circular No. ISD/CIR/RR/AML/1/06 dated 18<sup>th</sup> January 2006, as well as the Proceeds of and The Prevention of Money Laundering Act 2002 and our internal policies to maintain systems and training procedures designed to prevent money laundering. These procedures are categorized as follows:

1. Communication of group policies relating to money laundering.
2. Customer acceptance policy and due diligence measures
3. Identification procedures.
4. Record keeping procedures.
5. Statutory and regulatory compliance procedure.
6. Internal reporting procedures.
7. Suspicious Transaction Reporting procedures.
8. Policy for Co-operation with the relevant law enforcement authorities.
9. Training the recognition and handling of money laundering transactions.
10. Procedures to ensure staff are aware of the above procedures and the regulatory obligations.
11. Any other such internal procedures as may be appropriate

The Company has therefore put in place the following policies which shall be understood and adhered by all the employees of Batlivala & Karani Securities India Pvt. Limited with immediate effect:

1. Batlivala & Karani Securities India Pvt. Limited (hereinafter referred as 'Company') is a SEBI registered Institutional shares and stock brokers. The Company is also a Category I Merchant Banker registered under SEBI. The Company does not have a single retail client as the business focus across all divisions is purely institutional in nature. Due to the very nature of our business as a matter of compliance, company do not deal in cash transactions from clients, who are corporate, Mutual funds and FII's. The Company maintains proper records of all transactions entered into and now to adhere to the Regulations of the PMLA 2002, the Company shall maintain a record of all the transactions specially for the above said purpose which include:
  - a. All cash transactions of the value of more than Rs. 10 lacs or its equivalent in foreign currency, if any.
  - b. All series of cash transactions essentially connected to each other which have been valued below Rs 10 lacs or its equivalent in foreign currency where such series of transactions take place within one calendar month, if any.
  - c. All suspicious transactions whether 'integrally or remotely connected or related whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as d-mat account, or security account.
2. The Company shall:

- a. take steps to regularly review the policies and procedures on prevention of money laundering and terrorist financing to ensure their effectiveness. Further in order to ensure effectiveness of policies and procedures, appoint a reviewing officer for the above said purpose.
- b. Take steps to adopt customer acceptance policies and procedures which are sensitive to the risk of money laundering and terrorist financing
- c. Strictly comply with the customer due diligence ("CDD") measures to an extent that is sensitive to the risk of money laundering and terrorist financing depending on the type of customer, business relationship or transaction
- d. Take steps to develop staff members' awareness and vigilance to guard against money laundering and terrorist financing.
- e. Strictly comply with communication of group policies relating to prevention of money laundering and terrorist financing to all management and relevant staff that handle account information, securities transactions, money and customer records etc. whether in branches, departments or subsidiaries;
- f. Strictly comply with customer acceptance policy and customer due diligence measures, including requirements for proper identification;
- g. Maintain relevant records;
- h. Monitor Compliance with relevant statutory and regulatory requirements;
- i. Co-operate with the relevant law enforcement authorities, including the timely disclosure of information; and
- j. Do internal audit or compliance function to ensure compliance with policies, procedures, and controls relating to prevention of money laundering and terrorist financing, including the testing of the system for detecting suspected money laundering transactions,
- k. Do periodical evaluation and checking of the adequacy of exception reports generated on, large and/or if there is a irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff of their responsibilities in this regard.

## **DETAILED PROCEDURE**

### **Client Due Diligence ( CDD)**

The Company's clientele includes only institutional clients such as Corporates, Foreign Institutional Investors registered with SEBI, Mutual Funds registered under AMFI. The Company shall obtain sufficient information's in order to identify these clients.

The Company shall conduct an ongoing due diligence and scrutiny i.e. Perform ingoing 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 source of funds and to identify the types of clients that are likely to pose a higher than the average risk of money laundering or terrorist financing.

## **POLICY FOR ACCEPTANCE OF CLIENTS**

The Company shall have the following policy in place: -

1. No account is opened in a fictitious / benami name or on an anonymous basis.
2. Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters should enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of KYC profile.
3. Documentation requirement and other information to be collected in respect of different classes of clients depending on perceived risk and having regard to the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI and SEBI from time to time.
4. It shall be ensured that an account is not opened where it is unable to apply appropriate clients due diligence measures / KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, information provided to the intermediary is suspected to be non genuine, perceived non cooperation of the client in providing full and complete information.
5. The Company shall not continue to do business with such a client and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining in whether to freeze or close the account and shall be cautious to ensure that securities/money are not returned that may be from suspicious trades if such business is reported we shall consult the relevant authorities in determining what action shall be taken when it suspects suspicious trading.

6. The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account should be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity / value and other appropriate details.

7. The rights and responsibilities of both the persons (i.e. the agent-client registered with the intermediary, as well as the person on whose behalf the agent is acting should be clearly laid down). Adequate verification of a person's authority to act on behalf the customer should also be carried out.

8. Necessary checks and balance before opening an account is carried out so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide.

9. Apply each of the customers due diligence measures on a risk sensitive basis.

### ***Clients of special category (CSC)***

The Company intends to carry its business operations only with Corporates registered in India/ abroad, Mutual Funds and Foreign Institutional Investors (FII's) registered with SEBI.

The Company shall not have any Clients of special category (CSC) as specified under the PMLA 2002 nor does it intend to deal with them.

### ***Client identification procedure:***

As per the norms laid down by SEBI, Stock Exchanges and other relevant authorities in this regard, the Company shall fully comply with client identification procedures. The Company has put its system in place and has formed the policies as under: -

1. As the Company's clientele includes only institution, wherever applicable and as per the guidelines given by SEBI, Stock Exchanges in this behalf the KYC shall be executed with the Clients. The 'Know your Client' (KYC) policy shall clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the client relationship, while carrying out transactions for the client or when

the intermediary has doubts regarding the veracity or the adequacy of previously obtained client identification data.

2. The client should be identified by using reliable sources including documents / information. Adequate information shall be collected to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.

3. Adequate information's enough to satisfy regulatory / enforcement authorities in future that due diligence was observed in compliance with the Guidelines. Each original document shall be seen prior to acceptance of a copy.

4. Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the Managing Director of the Company directors.

5. Taking into account the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time, and our internal guidelines based on such guidelines and our experience in dealing with their clients and legal requirements as per the established practices, KYC norms shall be strictly followed. Notice shall be given if such norms if not followed properly. Information about such clients shall be reported accordingly.

### **POLICY OF RECORD KEEPING**

- a. It shall be ensured that compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PML Act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.
- b. Shall maintain such records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behavior.
- c. Should there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, all the necessary information for the accounts of customers in order to maintain a satisfactory audit trail shall be provided.

#### ***Retention of Records:***

- a) All necessary records on transactions, both domestic and international, shall be maintained at least for the minimum period prescribed under the relevant Act (PMLA, 2002 as well as SEBI Act,

1992) and other legislations, Regulations or exchange bye-laws or circulars.

- b) 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 shall also be kept for the same period.
- c) In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they shall be retained until it is confirmed that the case has been closed.

## **POLICY ON MONITORING OF TRANSACTIONS**

- a. Special attention shall be given to all complex, unusually large transactions / patterns which appear to have no economic purpose. Specify internal threshold limits for each class of client accounts and pay special attention to the transaction which exceeds these limits.
- b. Ensure a record of transaction is preserved and maintained in terms of section 12 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 law authority. Suspicious transactions should also be regularly reported to the higher authorities / head of the department.
- c. The compliance cell shall randomly examine a selection of transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not.

### ***Recognizing the Suspicious Transaction, Monitoring & Reporting***

The Company shall have its own internal policies for recognizing suspicious transactions, monitoring and reporting.

- 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. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- f. Transfer of investment proceeds to apparently unrelated third parties;



- 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.

Any suspicion transaction shall be immediately notified to the Money Laundering Control Officer or any other designated officer appointed. 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 shall 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.

***Designation of an officer for reporting of suspicious transaction,***

Principal Officer who was appointed for the aid purpose 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.

***The Company shall have High standards in hiring policies and training with respect to anti-money Laundering***

- 1 Adequate screening procedure are in place to ensure high standards when hiring employees.
2. Identify the key positions within the own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.
3. Proper anti money laundering and anti-terrorist financing training will be given to the staff members henceforth.

**Conclusion:**

Section 70 of the Prevention of Money Laundering Act 2002 prescribes, where a person committing a contravention under the said act is a company ,every person who at the time of contravention was committed ,was in charge of , and was responsible to the company , for the conduct of business of the company, as well as the company , shall be deemed to be guilty of the contravention and shall be liable to be proceeded against



and punished accordingly. Section 4 of the said act prescribes, whoever commits the offences of money laundering shall be punished with rigorous imprisonment for a term which shall not be less than 3 years but which may extend to seven years and shall be liable to fine which may extent to five lacs rupees.

The contents in this policy letter will be disseminated to all concerned in all departments and branch offices for their information and compliance. Under no circumstances the requirements in this policy letter will be violated by any one concerned in the offices, branch offices of Batlivala & Karani securities Pvt. Ltd.

Head of the departments/branches are requested to issue suitable directions, based on the above policy/guidelines, to all concerned. They are requested to educate the staff concerned the contents in this policy letter and give instruction for the strict compliance. Head of the departments/branches shall be made accountable for non compliance and personnel responsible for infringement shall be strictly warned/proceeded against appropriately

**For Batlivala & Karani Securities India Pvt. Limited**

**Jitendra Soni**

**Principal Officer**