

Anti-Money Laundering Policy (PMLA) of Open Futures

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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 considers the provisions of the PMLA Act and other Rules laid down by SEBI, FMC and FIU.

1. Introduction

Open Futures(OPEN FUTURES) wishes to be at the forefront, towards ensuring compliance with all the regulatory requirements and is committed to maintaining and promoting high ethical standards and business practices. As an effort in the same direction we have prepared this Anti-Money Laundering Policy & Procedures ("Policy") in order to ensure compliance under the Prevention of Money Laundering Act, 2002 and to establish a common vision of our commitment to safeguard India's common values and international peace and security.

Open Futures being the member of MCX, NCDEX under the Prevention of Money Laundering Act, 2002, ("PMLA") is required to have a system in place for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to law enforcement authorities. The Policy is intended to establish certain guiding principles for all employees and consultants of Open Futures

All Employees subject to the provisions of this Policy must conduct themselves in a manner consistent with the requirements and procedures set forth herein. Adherence to the Policy is a fundamental condition of service with Open Futures and the provisions of the Policy shall be deemed an intrinsic part of the terms of employment of the Employees.

In the event that any Employee experiences any difficulties or doubts in respect of the meaning or interpretation of any of the provisions of the Policy or is unsure of whether a given action would be consistent with the Policy or any other applicable laws, he or she should contact the Designated Officer (appointed as specified below) for clarifications.

The Prevention of Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July 1, 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on July 01, 2005. The PMLA has been further amended vide notification dated March 6, 2009 and inter alia provides that violating the prohibitions on manipulative and deceptive devices, insider trading and substantial acquisition of securities or control as prescribed in Section 12 A read with Section 24 of the Securities and Exchange Board of India Act, 1992 (**SEBI Act**) will now be treated as a scheduled offence under schedule B of the PMLA.

In compliance with

- The PMLA Act 2005 as modified and rules thereof
- SEBI Circular and Directives including SEBI Master Circulars ref. SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated 04-July-2018.
- SEBI Circular and Directives including SEBI Master Circulars ref. SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/113 dated October 15, 2019.

As per PMLA, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities / commodities market and registered under **section 12** of the Securities and Exchange Board of India Act, 1992). The detailed Directives in Section II have outlined relevant measures and procedures to guide the registered intermediaries in preventing ML and TF. shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA. For the purpose of PMLA, **Open Futures**

Such transactions include:

- a) All cash transactions of the value of more than Rs. or its equivalent in foreign currency.
- b) All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
- c) All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non-monetary account such as d-mat account, security account maintained by the registered intermediary.

It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' should also be considered. **In case there is a variance in CDD/AML standards prescribed by SEBI and the regulators of the host country, branches/overseas subsidiaries of intermediaries are required to adopt the more stringent requirements of the two.**

The Guidelines laid down the minimum requirements and it was emphasised that the intermediaries may, according to their requirements, specify additional disclosures to be made by clients to address concerns of Money Laundering and suspicious transactions undertaken by clients.

Designated Officer

a. Mr. Sat Pal Rawal of **Open Futures** shall serve as the Designated Officer who is also company's Designated Director will be responsible for overseeing the implementation of this Policy and periodically reporting on issues covered herein to the Chief Executive Officer (CEO) / Board of Directors (BOD). Employees shall refer all matters concerning the issues covered by this Policy to the Designated Officer and shall act in accordance with his/her instructions in this behalf.

b. All submissions required to be made by Employees in terms of this Policy shall be addressed to the Designated Director. The Designated Director shall be responsible for maintaining and updating all records to be kept by **Open Futures** in accordance with this Policy or any applicable laws/regulations. In addition, the Designated Officer shall be responsible for maintaining close liaison with enforcement agencies and other institutions which are involved in the fight against money laundering and combating financing of terrorism. In the absence of the Compliance Officer, the Chief Executive Officer / Director will act as the Designated Officer for the purpose of this Policy.

2. Objective

To be in compliance with these obligations, the senior management of a OPEN FUTURES shall be fully committed to establishing appropriate policies and procedures for the prevention of ML and TF and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements.

The objective of this policy framework is to:

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

2A. Applicability

These policies and procedures apply to all employees of Open Futures 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.

3. 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 company conducts its business in conformity with all laws and regulations of the jurisdictions in which it transacts business. In order to ensure that the company meets its legal obligations, employees of Open Futures 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 company's customers, to be aware at all times of what might constitute a suspicious transaction or suspicious counterparty behaviour, to adhere to appropriate account opening and record-keeping procedures, and to observe companies 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 company's account opening form must be completed and processed for every new account.

4. What is Money Laundering?

Money Laundering may be defined as cleansing of dirty money obtained from legitimate or illegitimate activities including drug trafficking, terrorism, organized crime, fraud and many other crimes with the objective of hiding its source and rendering it in legally usable form. It is any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources. The process of money laundering involves creating a web of financial transactions so as to hide the origin of and true nature of these funds.

This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

The first stage in the process is placement. The placement stage involves the physical movement of currency or other funds derived from illegal activities to a place or into a form that is less suspicious to law enforcement authorities and more convenient to the criminal. The proceeds are introduced into traditional or non-traditional financial institutions or into the retail economy. The second stage is layering. The layering stage involves the separation of proceeds from their illegal source by using multiple complex financial transactions (e.g., wire transfers, monetary instruments) to obscure the audit trail and hide the proceeds. The third stage in the money laundering process is integration. During the integration stage, illegal proceeds are converted into apparently legitimate business earnings through normal financial or commercial operations. Having identified these stages money laundering process, financial institutions are required to adopt procedures to guard against and report suspicious transactions that occur in any stage.

5. 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, analysing 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.

6. Policy and procedures to Combat Money Laundering and Terrorist Financing

Open Futures 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.

7. Implementation of this Policy

Open Futures is fully committed to combat any effort of laundering money earned through drug trafficking, terrorism and any other means of organized and serious crimes by any individual or entity. Towards this “**Open Futures Group Companies**” has put in place all such processes and procedures of internal control aimed at preventing and impeding any attempt of money laundering and terrorist financing using the services offered by its group companies.

Appointment of Principal Officer:

As per Circular No. MCX/COMP/488/2009 dated November 27, 2009, **Open Futures** has designated **Ms. Bhawna Joshi Pandey** as Principal Officer, who will be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. The name, designation and address (including e-mail address) of the ‘Principal Officer’ has been intimated to the Office of the

**Director-FIU,
6th Floor, Hotel Samrat,
Chanakyapuri, New Delhi – 110021.
(Refer Circular No. MCX/COMP/488/2009 dated November 27, 2009)**

The Registered Intermediaries shall:

- (a) Currently, there are no group companies on which the requirements of PML Act is applicable. However, if any when such companies come into the fold, OPEN FUTURES will ensure the statement of policies and procedures are issued on a group basis, 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 such as **on an annual basis** 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

8. Customer Due Diligence Measures:

- 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 on going due diligence and scrutiny, i.e. perform on going 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.
- g) 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 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.

While carrying out transactions for the client

RMS department should monitor the trading activity of the client and exercise due diligence to ensure that the trading activity of the client is not disproportionate to the financial status and the track record of the client.

Payments department should ensure that payment received from the client is being received in time and through the bank account the details of which are given by the client in KYC form and the payment through cash / bearer demand drafts should not be entertained.

9. The Customer due Diligence Process includes three specific parameters:

1. Policy for Acceptance of Clients
2. Client Identification Procedure
3. Suspicious Transactions identification & reporting

1. Policy for acceptance of clients:

The following safeguards are to be followed while accepting the clients:

The client acceptance policies and procedures of OPEN FUTURES is a part of the "OPEN FUTURES Client On boarding and Periodical Review Policy" as per the detail procedure given in this policy.

No account is opened in a fictitious / benami name or on an anonymous basis. To ensure this we must insist the client to fill up all the necessary details in the KYC form in our presence and obtain all the necessary documentary evidence in support of the information filled in KYC. We must verify all the documents submitted in support of information filled in the KYC form with the originals and ***in-person verification should be done by our own staff. Moreover new client should either be introduced by an existing customer or by the senior official of the company.*** In case we have any doubt that in-complete / fictitious information is submitted by the client, we must ask for such additional information so as to satisfy ourselves about the genuineness of the client and the information of the client before accepting his registration.

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 NRI Client), 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, CIBIL website www.cibil.com and Ministry of Company Affairs sponsored website www.watchoutinvestors.com. etc.)

b) 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.

c) 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>
- <https://www.un.org/en/sc/2231/list.shtml>
- www.sebi.gov.in: for prosecution database and vanishing companies' database.
- www.fatf-gafi.org
- watchoutinvestors.com/default2a.asp

d) Be careful while accepting Clients of Special category:

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

- a) Non-Resident clients
- b. High net-worth clients,*
- c. Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations.
- d. Companies having close family shareholdings or beneficial ownership
- e. 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 para's of this circular shall also be applied to the accounts of the family members or close relatives of PEPs.
- f. Companies offering foreign exchange offerings
- g. 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 centres, tax havens, countries where fraud is highly prevalent. While dealing with clients in high risk countries where the existence/effectiveness of money laundering control is suspect, intermediaries apart from being guided by the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org), shall also independently access and consider other publicly available information.

h. Non face to face clients

i. Clients with dubious reputation as per public information available etc.

j. persons of foreign origin, companies having closed shareholding / ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, -

k. Current/Former Head of State, Current / Former senior high profile politician, - Or clients from high risk countries

l. 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. The High net worth clients are basically categorized as the clients having annual income of Rs. 25 Lakhs or more or Net worth of Rs. 10 Crores or more.

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.

e) 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.

9.2 Client Identification Procedure (FOR NEW CLIENTS)

Objective:

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.

The KYC policy shall clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the intermediary – 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. Intermediaries shall be in compliance with the following requirements while putting in place a Client Identification Procedure

(CIP):

a) We should proactively put in place appropriate risk management systems to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPs. Further, the enhanced CDD measures as outlined in clause 5.5 shall also be applicable where the beneficial owner of a client is a PEP.

b) We are required to obtain senior management approval for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, registered intermediaries shall obtain senior management approval from **Director** to continue the business relationship.

c) We should also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEPs.

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

e) The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the intermediary in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.

f) Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority within the intermediary

The OPEN FUTURES KYC policy is a part of the "OPEN FUTURES Client Onboarding and Periodical Review Policy" as per the detail procedure given in this policy.

2.2.5.2 SEBI has prescribed the minimum requirements relating to KYC from time to time. 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, OPEN FUTURES shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices. Further, OPEN FUTURES shall conduct ongoing due diligence where it notices inconsistencies in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued thereunder so that the OPEN FUTURES is aware of the clients on whose behalf it is dealing.

2.2.5.3 OPEN FUTURES shall formulate and implement a CIP which shall incorporate the requirements of the PML Rules Notification No. 9/2005 dated July 01, 2005 (as amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients and such other additional requirements that is considered appropriate to enable OPEN FUTURES to determine the true identity of its clients.

The OPEN FUTURES CIP is a part of the " OPEN FUTURES Client On boarding and Periodical Review Policy" as per the detail procedure in this policy.

2.2.5.4 It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to OPEN FUTURES from obtaining the minimum information/documents from clients as stipulated in the PML Rules/ SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients. In other words, there shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures by OPEN FUTURES. This shall be strictly implemented by OPEN FUTURES.

Ongoing due diligence

- i)** 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.
- ii)** 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.
- iii)** 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.
- iv)** 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.
- v)** 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.

9.2.1 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.

9.2.2 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.
- 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.
- 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:

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

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

C. List of people authorized to attest the documents:

- b) 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).
- c) 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).

2.2.3 Risk-based Approach:

2.2.3.1 It is generally recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, OPEN FUTURES shall apply each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that OPEN FUTURES shall adopt an enhanced client due diligence process for higher risk categories of clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that OPEN FUTURES shall obtain necessarily depend on the risk category of a particular client.

2.2.3.2 Further, low risk provisions shall not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk

2.2.3.3 Policy for due diligence measures on a risk sensitive basis is a part of the " OPEN FUTURES Client On boarding and Periodical Review Policy" as per the process explained in this policy.

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

f) http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml

g) <http://www.un.org/sc/committees/1988/list.shtml>

10. Risk classification

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.

Policy for risk assessment and categorisation is a part of the "OFC Client On boarding and Periodical Review Policy" as per the process explained in this policy.

I. High Risk

In addition to client defined in special category, clients who have defaulted in the past, have suspicious background, and do not have any financial status and following clients are classified as high risk. In addition to client defined in special category, clients who have defaulted in the past, have suspicious background, and do not have any financial status and following clients are classified as high risk.

- a. Non-resident clients
- b. High Net-worth clients *
- c. Trust, Charities, NGOs and organizations receiving donations
- d. Unlisted Companies
- e. Companies having close family shareholding and beneficial ownership
- f. Politically exposed persons (PEP): Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country eg.: Senior politicians, Heads of States of Government, senior government, /judicial/military/officials.
- g. Clients who have defaulted in the past, have suspicious background and do not have any financial status.
- h. Companies offering foreign exchange
- i. Clients in high risk countries: (where existence / effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, where there is unusual banking secrecy, countries active in narcotics production countries where corruption (as per transparency international corruption 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 centres, tax havens, Countries where fraud is highly prevalent.
- j. Clients with dubious reputation as per public information available etc.
- k. Non face to face Clients.

Note High Net worth clients: 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. The High net worth clients are basically categorized as the clients having annual income of Rs 25 Lakhs or more or Net worth of Rs.10 crore or more.

It should be to determine whether existing / potential customer is PEP. Such procedures would include seeking additional information from clients. Further approval of senior management is required for establishment business relationships with PEP & to continue the business relationship with PEP.

All transaction of Clients identified as High Risk Category should be put to counter measures. These measures may include further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of transactions and applying enhanced due diligence.

II. Medium Risk

Client who is permitted to act on behalf of another person in the manner of operating such accounts on the basis of POA, in case of a client where there is continuous margin shortfall, regular instances of cheque dishonoured are categorised as medium risk clients.

III. Low Risk

Clients are those who pose low or Nil risk, they are good corporate, HNI who have respectable social and financial standings. Further Clients who does not fall in High / Medium Risk will fall under Low Risk Client.

The low risk provisions should not apply when there are suspicions of Money Laundering / Financing Terrorism (ML/FT) or when other factors give rise to a belief that the customer does not in fact pose a low risk.

Apart from this we need to exercise extra caution while monitoring the transactions of NRI/NRE/PIO and foreign clients, especially when the payment is being made in foreign currency.

An assessment should be made of the financial worthiness of the client by obtaining appropriate declarations at KYC stage. This information should be subsequently used for monitoring whether the transactions of the clients are within the declared means and if the value of the transactions is increasing the client should be asked to disclose the increasing sources.

Factors of risk perception of the client :-

Particulars	Risk Perception
Factors of Risk Perception having regard to :	
Client`s Location (Registered / Correspondence/ other address)	
- Face to Face clients of Delhi NCR	Low Risk
- Face to Face clients of other than Delhi NCR	Low Risk
- Client Introduced by existing Face to Face Clients	Low Risk
- Client Introduced by other Existing Clients	Medium Risk
- Direct Clients of Delhi NCR	Medium Risk
- Direct Clients of other than Delhi NCR	High Risk
- Non resident Clients	High Risk
Nature of Business Activity, Trading Turnover etc	

-Retail clients (average daily turnover <Rs 10 Lakhs or net settlement obligation <Rs 2 Lakhs)	Low Risk
- Retail clients (average daily turnover <Rs 25 Lakhs or net settlement obligation <Rs 5 Lakhs)	Medium Risk
- HNI Clients (average daily turnover >Rs 25 Lakhs or net settlement obligation >Rs 5 Lakhs)	High Risk
Manner of Making Payment	
- Regular payment through A/c payee cheque from the Bank A/c already mapped with us	Low Risk
- Payment through A/c payee cheque from the Bank A/c other than one already mapped with us	Medium Risk
- Payment through Banker`s Cheque / Demand Draft / Cash	High Risk
Client of Special Categories as defined under Para A (a) of these Guidelines	Very High Risk
Client of Special Categories as defined under Para 5.4 of these Guidelines	

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

11. Identification of Beneficial Ownership Policy:-

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 SEBI circular CIR/MIRSD/11/2012 Dated September 05,2012 and CIR/ MIRSD/ 07/ 2013 dated September 12, 2013 for the purpose of identification of beneficial ownership of the client.

E. Monitor of compliance

The compliance of the aforementioned provision on identification of beneficial ownership shall be monitored by the Board of Directors of
OPEN FUTURES

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 kept on record.

12. 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 behaviour 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.

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 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 were 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.

13. 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

14. Retention of Records

- 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 transaction 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.

15. Monitoring of transactions

15.1 Regular monitoring of transactions is vital for ensuring effectiveness of the AML procedures. This is possible only if OPEN FUTURES has an understanding of the normal activity of the client so that it can identify deviations in transactions / activities.

15.2 OPEN FUTURES shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. OPEN FUTURES may specify internal threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits. The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/stock exchanges/FIUIND/ other relevant Authorities, during audit, inspection or as and when required. These records will be maintained and preserved for a period of **five years** from the date of transaction between the clients and OPEN FUTURES.

15.3 OPEN FUTURES 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 (Director) within OPEN FUTURES.

15.4 Further, the compliance cell of OPEN FUTURES 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.

15.5 All regulatory alerts generated by the Market Infrastructure Institutions (MIIs) shall be monitored by the Principal Officer for necessary action to be taken

16. Suspicious Transactions

All are requested to analyse and furnish details of suspicious transactions, whether or not made in cash Suspicious transactions shall also be regularly reported to the higher authorities within the intermediary. Intermediaries shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting. It should be ensured that there is no undue delay in analysis and arriving at a conclusion. While determining suspicious transactions, intermediaries shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time. Indicative types of Suspicious Transactions, Abandoned Transactions, TAT for reporting Suspicious Transactions and additional due diligence for transactions from clients from high risk countries are also given in the FMC / SEBI circular.

16.1 What is a Suspicious Transactions?

Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or appears to be made in circumstance of unusual or unjustified complexity; or appears to have no economic rationale or bonafide purpose.

✓ **Reasons for Suspicious: Identity of client**

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

Suspicious Background

- Suspicious background or links with criminals

Multiple Accounts

- Large number of accounts having a common parameters such as common partners / directors / promoters / address/ email address / telephone numbers introducer or authorized signatory
- Unexplained transfers between such multiple accounts.

Activity in Accounts

- Unusual activity compared to past transactions
- Use of different accounts by client alternatively for funds

Nature of Transactions

- No economic rationale or bonafide purpose
- Source of funds is doubtful

Value of Transactions

- Large sums being transferred from overseas for making payments
- Inconsistent with the clients apparent financial standing
- Inconsistency in the payment pattern by client
- ✓ **Policy on Identifying and Reporting suspicious transactions:**

The Compliance/Principle Officer for any suspicious transactions will scrutinize transactions filtered out of the following filters in detail. As the Business dynamics are very varied and complex, defining transaction types for reporting will not be undertaken at this juncture (all CTRs & STRs). Having said that, the Principal Officer will review all the transactions thrown out by the filters and decides on a case-to-case basis to report to FIU with in stipulated time with complete details These filters will be reviewed regularly for any updations and modifications to make the system more robust and effective.

1. Payment for client's withdrawal will be only through cheque. No cash payments to be entertained under any circumstances.
2. All third party cheques to the credit of clients account irrespective of the amount.
3. All payment made either by way of Demand Draft / Cheques / Money Transfer/Funds Transfer in foreign currencies irrespective of the amount. In case of DD it should be accompanied by the letter of bank in case of some unavoidable situation.

16.2 What to Report:

1. The nature of the transactions
2. The amount of the transaction and the currency in which it was denominated
3. The date on which the transaction was conducted
4. The parties to the transaction
5. The reason of suspicion.

17. e-KYC Authentication facility under section 11A of the Prevention of Money Laundering Act, 2002 by Entities in the securities market for Resident Investors Circular # SEBI/HO/MIRSD/DOP/CIR/P/2019/123 November 05, 2019.

Entities in the securities market, as may be notified by the Central Government, shall be allowed to undertake Aadhaar Authentication under section 11A of the PMLA. SEBI Registered intermediaries for reasons such as online on-boarding of clients, customer convenience, increased efficiency and reduced time for client on-boarding would prefer to use Aadhaar based e-KYC facility to complete the KYC of the client.

These entities would be registered with UIDAI as KYC user agency (“KUA”) and shall allow all the SEBI registered intermediaries / mutual fund distributors to undertake Aadhaar Authentication of their clients for the purpose of KYC through them. For detailed procedure SEBI Circular # SEBI/HO/MIRSD/DOP/CIR/P/2019/123 November 05, 2019 , should be referred.

When to report a suspicious transaction :

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

CTR	All cash transactions of the value of more than Rs.10 Lakhs or its equivalent in foreign currency All series of cash transactions Integrally connected to each other which foreign currency where such series of transactions have taken place within a month.	15th day of the succeeding month have been valued below Rs.10 Lakhs or its equivalent in
CCR	All cash transactions were forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions*	Not later than seven working days from the date of occurrence of such transaction*
STR	All suspicious transactions whether or not made in cash	Not later than seven working days on being satisfied that the transaction is suspicious*
NTR	Non Profit Organization Transaction Report	Not later than seven working days on being satisfied that the transaction is suspicious*

- h) [Master Circular DBOD.AML.BC.No.2/ 14.01.001 / 2010 – 11 dated July 01, 2010](#)
- i) [Notification No. 14/2010](#)

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

Rights & Power of Principal officer-

1. Overall monitoring & implementation of the company's KYC/AML/CFT policy and to make changes/amendments in the PMLA/CFT policy of OPEN FUTURES from time to time along with requirement of Record Keeping, retention, monitoring and reporting.
2. To ask details related to ultimate beneficiary ownership/person controls securities account/POA Holder /Nominee in case it seems to be suspicious.
3. To ask specific nature of its business organizational structure, income details and its way and about the nature of transaction etc. of its clients and its business related entities.
4. To verify the customer identity and to refuse in opening Client account and their trading/DP account if client acceptance policy has not been met or Client has not fulfilled his due diligence measures, including requirements for proper identification and in-person verification or in case where client account has been opened in Benami name. The same refusal can be applied also based on 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.
5. Conduct of necessary checks and balance to be put into place before opening an account 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. Special checks and permission for clients of special category (CSC) and transaction related to foreign exchange transaction related entities.

Verification and denial in taking the person as a client if the person is in updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) from the website <http://www.un.org/sc/committees/1267/consolist.shtml>.

6. In handling and reporting of transactions{Cash Transaction Reports (CTRs), Suspicious Transaction Reports (STRs) and Counterfeit Currency Reports (CCRs)} and sharing of information/details, as required under the law in an independent manner and Co-operation with the relevant law enforcement authorities, including the timely disclosure of information. In addition to this the maintenance of utmost confidentiality in filing of CTR and STR to FIU-IND.

7. Dealing with regulators like SEBI, FIU-INDIA or any other law enforcement agency including ministries which are involved in the fight against money laundering and combating financing of terrorism.

8. In defining the role of Internal audit/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, 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.

9. In conduct of any Programme/Seminar/Presentation etc. for the training of the Staff, Registered Intermediary with OPEN FUTURES and any other person in connection to the OPEN FUTURES to increase awareness and vigilance to guard against money laundering and terrorist financing.

10. There shall not be any restrictions on operations in the accounts where an STR has been made. Member and their 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.

17. POLICY WITH RESPECT TO EMPLOYEES’ HIRING/TRAINING & INVESTOR EDUCATION:

Policy on Hiring of key Employees:

The Company shall have adequate screening procedures in place to ensure high standards when hiring employees. They shall identify the key positions within their 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

At the time of screening key employees in the Company, the HR personnel should make sure that the key employees must be made aware about the AML/CFT requirement at the time of joining the organization and on such other time as they deem fit to ensure that key employees* shall perform & discharge their duties efficiently and effectively to combat risk of money laundering which is considered to be a prominent area/aspect in an industry in which the company operates.

*Key employees are employees as per the list maintained by HR personnel from time to time.

Policy on Employees’ training

Staffs who deal directly with the public are the first point of contact with potential money launderers. Their efforts are therefore vital to the reporting system for such transactions. Staff should keep abreast of the practices to identify suspicious transactions and on the procedure to be adopted when a transaction is deemed to be suspicious. In short, employees must familiarize themselves with their customers’ normal trading activities and usual market practices in order to recognize anomalous behavior. Suspicions concerning the source of assets or the nature of a transaction may not be ignored. It is the active responsibility of every person at the company to seek to ensure that the company facilities are not being misused.

The company should have an on-going employee training programme in terms of following:

- i. Circulating information from time to time to the concerned employees pursuant to the PMLA requirement wherein all the employees are made aware about requirement of PMLA viz. procedures to be followed while dealing with potential clients, on-going due diligence in terms of risk profile, clients' transactions etc.
- ii. Conducting presentations from time to time to create awareness amongst the concerned employees.

Policy on Investor Education:

With a view to discharge our responsibility in the view of PMLA requirement, the Company should endeavour 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.

18. 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.

19. 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.

20. Appointment of a Designated Director

In addition to the existing requirement of designation of a Principal Officer, the registered intermediaries shall also 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:

- j) "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,
- k) the managing partner if the reporting entity is a partnership firm,
- l) the proprietor if the reporting entity is a proprietorship concern,
- m) the managing trustee if the reporting entity is a trust,
- n) A person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and
- o) Such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above."

- 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 AML/CFT obligations.

- Registered intermediaries shall communicate the details of the Designated Director, such as, name, designation and address to the Office of the Director, FIU-IND.

21. Reporting to Financial Intelligence Unit-India

- In terms of the PML Rules, intermediaries are 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>

- Intermediaries shall carefully go through all the reporting requirements and formats given on the website of Financial Intelligence Unit – India and shall ensure furnishing of information within the due dates prescribed Financial Intelligence Unit – India.

- Intermediaries shall not put any restrictions on operations in the accounts where an STR has been made. Intermediaries and their 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.

It is clarified that the registered intermediaries, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime.

22. 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.

23. 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.

Date of Review: 15th March, 2021

Prepared by: Principal Officer – Bhawna Joshi Pandey

Approved by: Designated Proprietor – Mr. Sat Pal Rawal

24. Designated Principal Officer

Ms. Bhawna Joshi Pandey is a designated Principal Officer, who will be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. The name, designation, and address (including e-mail address) of the 'Principal Officer' has been intimated to the Office of the FIU.

To ensure that OPEN FUTURES properly discharges its legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the

identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors.

Names, designation and addresses (including email addresses) **in case of change in** 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU. As a matter of principle, 'Principal Officer' of OPEN FUTURES will be of a sufficiently senior position and is able to discharge the functions with independence and authority.

In case any further information / Clarification are required in this regard, the principal officer maybe contacted.

Name: Bhawna Joshi Pandey

Office Address: 401, Chiranjiv Tower , 43 Nehru Place,
New Delhi - 110019

Phone No(s):011-46662029

E-mail address: bhawnajoshi@openfutures.in

**Annexure A - OPEN FUTURES Client On boarding and Periodical Review Policy
Encompassing**

Client acceptance policies and procedures/ Due diligence measures on a risk sensitive basis/ Risk assessment and categorisation

Client onboarding Process at OPEN FUTURES

- When individual client account opening form is received, all requirements under CKYCR and KRA shall be completed
- When non-individual client account opening form is received, all requirements under KRA shall be completed. As and when CKYCR starts accepting non-individual clients, CKYCR process shall be completed even for non-individual clients
- OPEN FUTURES will use the Permanent Account number (PAN) allotted by the Indian Income Tax Department as the main identifier for the identity of all individuals. The PAN as provided shall be independently verified from the Income Tax Database/ databases of other entities authorised by the Income Tax department.
- All processes like in-person verification, verification of copies against originals, and all other requirements of KRA and CKYCR shall be met at all times by OPEN FUTURES diligently

A public database search of the individual (in case of individual clients) and beneficial owners/ senior management in case of non-individuals clients shall be conducted at the following places:

- PAN number search on Google
- Search on Stock exchange provided lists
- Search on whatchoutinvestors.com
- Search on UN databases
- Search in any other commercial database that OPEN FUTURES may subscribe to

The search shall ensure that 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.

If any alerts are generated during the search, then matter shall be escalated to Principal Officer to take a decision whether to open the account or not.

Income and networth details shall be taken for all clients on a self declaration basis. In case of clients trading on derivatives, documentary evidence of financial details as prescribed under SEBI Circular MIRSD/SE/Cir-19/2009 dated 03-Dec-2009 as modified/ updated/ reissued shall be taken.

Where the above details are not available, the account shall not be opened

25. Risk categorization

Low Risk

- Clean Image; not PEP
- Identity can be easily verified
- Sources of wealth can be easily verified
- Investment made is commensurate with the total net worth of the client

Medium Risk

- where identity and sources of wealth are not supported by public documents like income returns, registered conveyance deeds etc.
- Clients with sudden spurt in volumes or investment without apparent reasons
- Person in business/industry or trading activity where scope or history of unlawful trading/business activity dealings is more.

High Risk

Clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc.

Following descriptions shall be compulsorily categorized as a “High Risk Client”:

- Non resident clients (NRI)
- High Net Worth clients (holding shares over Rs. 10 crore),
- Trust, Charities, NGOs and organizations receiving donations
- Politically exposed persons (PEP)
- Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)
- Companies offering foreign exchange offerings
- Clients in high risk countries (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 centres, tax havens, countries where fraud is highly prevalent,.

- Clients with dubious reputation as per public information available etc.
- We are also ensuring that none of the client is linked to any of the entities or individuals included in the list published by United Nation or UNSCRs. The list of existing clients will also be scanned from said list continuously and full details of the accounts bearing resemblance to any of the individual/entities in the list will be immediately reported to SEBI & FIU-IND. The above-mentioned list is only illustrative and the back office should exercise independent judgment to ascertain whether new clients should be classified as CSC or not. After classification proper monitoring of transactions is done as according risk they pose.

Persons authorised to trade on behalf of the client

Where an individual client has given authority to another person who is not a relative to trade on its behalf, the matter shall be escalated to Principal Officer.

Where a non-individual client has given authority to another person who is not an employee/ office bearer to trade on its behalf, the matter shall be escalated to Principal Officer

In case the authority is given to a SEBI Registered Intermediary like Portfolio Manager or Investment Advisor, the SEBI registration details of such intermediary shall be kept on record.

Client KYC periodic review at OPEN FUTURES

- the KYC of all clients shall be reviewed and updated on a three -yearly basis
- For CSC and High-Risk Clients, the KYC shall be reviewed and updated every one years
- For PEP, the KYC shall be reviewed and updated every 1 years

26. PROCESS OF ALERT GENERATION & IDENTIFICATION OF SUSPICIOUS TRANSACTIONS

Alert Generation System

The Application generates alert reports at the end of each day which are investigated to identify suspicious transactions.

Artificial Volume Creation

- Identify scrips where OPEN FUTURES at house level has contributed more than 40% of the Exchange volume.
- Identify the clients who are trading frequently in the scrips (more than 3 times in last five days).
- Identify clients who have contributed more than 25 % of the volume at the Exchange.

Quality of Dealing

- Identify scrips in BE, T and TS having 50 % of Exchange volume.
- Segregate the scrip volume based on the security category (e.g. EQ and BE in case of NSE and A, B, T, etc., in case of BSE).
- Identify the clients and check the bonafide of transactions.

High Value Deals

Review the deals above Rs. 25 Lakhs in single scrip.

- In case of buy deals, check whether sufficient margin is available.
- In case of sale deal, check whether the shares are available.
- Validate client's volume with his resources as per KYC.

Scrip Concentration

- Identify common scrips among top 25 scrips traded at house level during last 5 days.
- Compare the OPEN FUTURES volume vis-à-vis Exchange volume of the scrip.

- Check whether any client has traded more than 20% of Exchange volume.

Abnormalities in Trading

- Identify the scrips where there is sudden increase in volume or rate by comparing the Exchange volume and bhav copy files for last five days.
- Check whether OPEN FUTURES has contributed substantial volume (more than 25 %) in such scrips.
- Identify clients, who have taken high value positions, review their ledger accounts in order to verify whether there is sudden increase in deal size (more than 100 % of the average deal size).

Synchronized Trades, Cross Trades & Self Trades

- Scrutinize Synchronized Self/Cross Trade Report generated by the system.
- Identify the trades where scrip is illiquid (volume less than 5000 or identified as illiquid by Exchange).
- Identify clients having self/ cross or synchronized trades.

Scrips Having Unusual Variation in the Volume at House Level

- Ascertain average scrip level volume at house level on both Exchanges based on the trade files uploaded for last 10 days.
- Compare daily scrip level volume on each Exchange with the average volume of the scrip on the Exchange.
- Identify scrips where the variation is more than 50%.

Scrips Where OPEN FUTURES is Persistently Contributing Higher Volumes

- Identify scrips where OPEN FUTURES is persistently contributing higher volumes in last 10 days.
- Identify clients having more than 20% of Exchange volume.

Trading Done / Orders Placed by OPEN FUTURES in Scrips that are Not Traded Everyday

- Identify scrips that are not traded for past 10 days.
- Check trades executed in these scrips, if any.
- Identify clients who have traded in these scrips more than 20% of Exchange volume.

Turnover Vis-à-vis Financial Income Submitted by Client

- Identify the clients whose turnover is disproportionate with the Annual Income provided in KYC.
- Scrutinize the Transactions of the clients and follow up with the concerned branches for collection of the latest financials.

Review of Client Receipts / Payments

Review of Receipts/Payment details of the Client in OPEN FUTURES having unusual pattern of funds movement.

- Analyze the Receipts & Payments of the client on daily basis.
- Analyze the Receipts & Payments of the client on Q-to-Q basis.

Suspicious Transactions

Based on the aforesaid reports, clients are identified. Accounts of identified clients are further scrutinized by a dedicated Team working under Principal Officer as per check list given in the following slides.

Frequency of Dealing in a Scrip by Identified Clients

- In case a client/ group of clients contributed more than 40% volume at Exchange level, repeatedly in the same scrip in last fifteen day, client(s) is / are accumulating the scrip.
- Check if client(s) is/ are transferring the same to third party Demat accounts through off-market transactions.

Impact of Trading Pattern on Price and Volume of the Scrip

- Identify the days on which the client has taken concentrated positions in the scrip.
- Compare price and volume on the Exchange on said dates to ascertain whether:
 - ✓ Increase in price or volume beyond 20%.
 - ✓ Client has taken positions at day's high or low rates.

Relation of Client with the Management / Promoters of the Company

- Check whether the client is related to management or promoters of the company in whose scrip client is trading.
- Also check whether the client is holding more than 1% of the shares of the company.

Review of KYC

- Review the KYC and supporting documents submitted by the client.
- Validate volume done by the client with his financial net worth and margin provided.
- Review the Risk categorization of the client and categorize the client based on the validation done.

Clarification from Branch

- Seek details from Branch on the occupation, social and financial status of client.
- If Branch feedback on client is not satisfactory, refer the case to the Principal Officer.

Reporting to FIU

Principal Officer after scrutinizing the alerts, reports compiled by the PMLA Scrutinization Team and feed-back received from the Branch on the client, shall decide whether any transaction is to be reported as STR.

Date	08.07.2010
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AML ALERTS - Securities transactions with Client Profile

Review of the Transactions Dated			07.07.2010
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URL		Broking/karvy.com	
Module		AML/Surveillance & Compliance	
REPORT NAME		Securities Transactions	
Nature of the report		Securities and Volume	

Summary details of Alerts

Type	No of Alerts	Scrutiny done on Alerts
Receipts	28	28
Payments	27	27
Turnover	50	50
Penny Stocks	NIL	NIL
Illiquid Scrip	NIL	NIL
Artificial Volume	25	25
Quality of Dealing	19	19
High Volume Deals	5	5
Scrip Concentration	NIL	NIL
Abnormalities in Trading	2	2
Concerted Group	NIL	NIL
Trading pattern of clients	9	9
Scrip having unusual variations	4	4
Top 10 Scrips	NIL	NIL
Orders placed by Scrips not trades in last 10 days	NIL	NIL

Transaction identified for further Scrutiny				
	Client Code	Client Name	Nature of Alert	Brief Case history
	103388	PANDEY	Trading Patterns of the client	Client is shifting his position in Scrip PENTSFWARE
	103500	PANDEY	Trading Patterns of the client	

Observations made by Principal Officer - AML

	Client Name	Nature of Alert	Type of Cheque (Receipt/ Payment)	Brief Case history			

Bhawna Joshi

PRINCIPAL OFFICER

All alerts are scrutinized and has been discussed in detail with the relevant Team.

Accounts of identified clients are further scrutinized by a dedicated Team working under Principal Officer as per check list given.

CIRCULAR/MIRSD/1/2014 March 12, 2014

To,

All Intermediaries registered with SEBI
(Through the stock exchanges for stock brokers and sub brokers, Depositories for depository participants and
AMFI for Asset Management Companies) Dear Sir/Madam,

Sub: Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Obligations of Securities Market Intermediaries under the Prevention of Money laundering Act, 2002 and Rules framed there under

Please refer to SEBI Master Circular CIR/ISD/AML/3/2010 dated December 31, 2010 on the captioned subject.

In view of the amendments to the Prevention of Money-laundering Act, 2002 (PML Act) and amendments to the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 (PML Rules), it has been decided to make the following consequential modifications and additions to the above referred SEBI Master Circular dated December 31, 2010:

In clause 5 of Part II, after sub-clause 5.3.1, following sub-clause shall be inserted:

5.3.2 Risk Assessment

Registered intermediaries shall carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its 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 Council **Resolutions (these can be accessed at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and <http://www.un.org/sc/committees/1988/list.shtml>).**

The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The assessment shall be documented, updated regularly and made available to competent authorities and self regulating bodies, as and when required.

In clause 5 of Part II, after sub-clause 5.5, following sub-clause shall be inserted:

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

Registered intermediaries may rely on a third party for the purpose of (a) identification and verification of the identity of a client and (b) determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.

Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. Further, it is clarified that the registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

Record keeping requirements:

In sub-clause 8.1 of Part II regarding maintenance of records pertaining to transactions of clients: The words "for a period of ten years" shall be substituted with "for a period of five years".

In sub-clause 8.2 of Part II regarding maintenance of records pertaining to identity of clients: The words "The records of the identity of clients have to be maintained and preserved for a period of ten years from the date of cessation of transactions between the client and intermediary, i.e. the date of termination of

an account or business relationship between the client and intermediary." shall be substituted with the following:

"Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later."

Sub-clause 8.3 (b) of Part II shall be substituted with the following:

"Registered intermediaries shall maintain and preserve the record of documents evidencing the identity of its clients and beneficial owners (e.g., copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later."

In sub-clause 9.2 of Part II regarding monitoring of transactions: The words "preserved for ten years" shall be substituted with "maintained and preserved for a period of five years from the date of transaction between the client and intermediary".

In clause 8 of Part II, after sub-clause 8.4, following sub-clause shall be inserted -

8.5 Records of information reported to the Director, Financial Intelligence Unit - India (FIU-IND): Registered intermediaries 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.

In clause 14 of Part II, after sub-clause 14.1, following sub-clause shall be inserted:

14.2 Appointment of a Designated Director

i. In addition to the existing requirement of designation of a Principal Officer, the registered intermediaries shall also 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,

the managing partner if the reporting entity is a partnership firm,

the proprietor if the reporting entity is a proprietorship concern,

the managing trustee if the reporting entity is a trust,

a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and

such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above.”

ii. 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 AML/CFT obligations.

iii. Registered intermediaries shall communicate the details of the Designated Director, such as, name, designation and address to the Office of the Director, FIU-IND.

Registered intermediaries are directed to review their AML/CFT policies and procedures and make changes to the same accordingly. The other provisions specified in the SEBI Master Circular dated December 31, 2010 remain the same.

The Stock Exchanges and Depositories are directed to:

bring the provisions of this Circular to the notice of the Stock Brokers and Depository Participants, as the case may be, and also disseminate the same on their websites;
make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision in co-ordination with one another, as considered necessary;
monitor the compliance of this Circular through half-yearly internal audits and inspections; and communicate to SEBI, the status of the implementation of the provisions of this Circular.

In case of Mutual Funds, compliance of this Circular shall be monitored by the Boards of the Asset Management Companies and the Trustees and in case of other intermediaries, by their Board of Directors.

This Circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 and the Prevention of Money laundering (Maintenance of Records) Rules, 2005 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

This Circular is available on the SEBI website (www.sebi.gov.in) under the section SEBI Home > Legal Framework > Circulars.

SCHEDULE I

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

S. No.	Circular Number	Date of Circular	Subject	Broad area covered
1.	SEBI/HO/MIRSD/D OP/CIR/P/2019/69	May 28, 2019	Combating Financing of Terrorism (CFT) under Unlawful Activities (Prevention) Act, 1967 – Directions to stock exchanges, depositories and all registered intermediaries	Procedure to be followed for the freezing of assets of individual or entities engaged in terrorism
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
				CDD directives of SEBI stipulated in Master Circular dated September 14, 2016
7.	MIRSD/ 66/	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 finalizing template of KYC

8.	CIR/ IMD/ FPI&C/ 59/ 2016	June 10, 2016	Know Your Client (KYC) norms for ODI subscribers, transferability of ODIs, reporting of suspicious transactions, periodic review of systems and modified ODI reporting format	Applicability of Indian KYC/AML norms for Client Due Diligence, KYC Review, Suspicious Transactions Report, Reporting of complete transfer trail of ODIs, Reconfirmation of ODI positions, Periodic Operational Evaluation
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/ Countering 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/ 2013 MIRSD/ 07 /	September 12, 2013	Know Your Client Requirements for Eligible Foreign Investors	Partial modification to the provisions of circular No CIR/MIRSD/ 11 /2012 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/ /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/ 2013 MIRSD/	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
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 Registration Agency (KRA) system by the intermediaries	Process to avoid duplication of KYC, guidelines for uploading the KYC data of the existing clients, Schedule for implementation
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/ AML/ CIR- 1/ 2008	December 19, 2008	Master Circular on AML/ CFT directives	Framework for AML/ CFT 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	September 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	Uniform KYC documentary requirements 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.