

QUANTUM INFORMATION SERVICES PRIVATE LIMITED

POLICY FOR PREVENTION OF MONEY LAUNDERING

24th June, 2022

Policy Control

A. Policy Custodian:

Division : Compliance

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1. INTRODUCTION OF COMPANY:

Quantum Information Services Private Limited (“QIS”), a private limited company bearing CIN: U65990MH1989PTC054667 is registered with the Securities and Exchange Board of India (SEBI) as an Investment Adviser in terms of SEBI (Investment Advisers) Regulations 2013. It additionally provides research analysts services in terms of SEBI (Research Analysts) Regulations, 2014 and is a registered Mutual Fund Distributor with (AMFI) Association of Mutual Funds in India.

QIS has a service brand named as PersonalFN. PersonalFN is India’s first and leading personal finance website. It is focused on providing financial planning to individuals and mutual fund research solutions and generalized recommendation services to its subscribers through its website www.personalfn.com.

For over 20 years, QIS has educated investors and established a reputation as a community where difficult financial concepts and concerns are explained in easy to understand language.

Over the past 20 years, lakhs of followers and readers across the world have benefitted from PersonalFN’s range of content on a wide range of subjects such as mutual funds, asset allocation, insurance, home loans, and tax planning. The aim has been to deliver honest and unbiased opinions and solutions - to solve financial problems - and choices that confront investors every day.

2. INTRODUCTION OF THE PREVENTION OF MONEY LAUNDERING ACT, 2002:

India adopted the Prevention of Money Laundering Act, 2002 (PMLA or the Act) with effect from July 1, 2005 (which provides for Anti-money Laundering and Anti-terrorist Financing measures to be taken in India) and the rules framed there under (Rules) provide guidance on the practical implementation of the provisions laid down in the Act.

Further, circulars have been issued by the Securities Exchange Board of India (SEBI) from time to time (collectively referred to herein as SEBI Guidelines) setting out the requirements / obligations to be fulfilled by the SEBI registered intermediaries. SEBI vide its Master Circular dated October 15, 2019 mandated registered intermediaries to ensure compliance with the Act and the Rules including adherence to client opening procedures and maintenance of records of such transactions as prescribed under the Act and Rules.

Besides, SEBI has issued circulars on the operationalization of Central KYC Records Registry (CKYC) dated July 21, 2016 and clarification on KYC Process and use of technology for KYC dated April 24, 2020 with respect to account opening of clients. These circulars are presently applicable inter alia to stockbrokers, depositories, mutual funds, portfolio managers, custodians, collective investment schemes, investment advisers etc.

Further, SEBI has in the Master Circular 2019 also acknowledged the fact that a ‘one-size-fits-all’ approach may not be appropriate for the securities industry in India, and therefore, each registered intermediary should consider the specific nature of its business, organizational structure, type of clients and transactions, etc. when implementing the suggested measures and procedures to ensure that they are effectively applied.

3. APPLICABILITY AND SCOPE:

The Act is applicable to the whole of India to prevent money laundering activities and specifically imposes an obligation on banking companies, financial institutions, and intermediaries associated with the securities market and registered with the Securities and Exchange Board of India (SEBI) under section 12 of SEBI Act, 1992.

Investment Advisers are covered in the category of intermediaries under section 12 of SEBI Act, 1992, and hence the provisions of PMLA are also applicable to all the SEBI Registered Investment Advisers.

QIS provides the following types of services to its clients:

1. Financial planning services on a one time basis against a flat fee
2. Non-discretionary Financial planning/advisory services over a one year period or so against an AUM based fee involving a quarterly review and advise on the clients portfolio;
3. Generalised subscription based mutual fund research services and

In addition to the above QIS is also an AMFI registered mutual fund distributor and operates in compliance with the applicable SEBI Regulations.

Given the type of services rendered by QIS it may not have an account-based relationship with its clients in respect of most of or all of its services.

However, there are other provisions of the Rules that apply to QIS even though it may not have account based relationship with its clients.

QIS shall follow all the anti-money laundering procedures (**Annexure I**) including client acceptance policy, client identification procedure, and suspicious transactions reporting in the event it engages in account based relationships with its clients or where it is otherwise required to follow the the whole or part of these procedures as may be applicable to it.

4. PURPOSE:

In view of the aforesaid applicability of the provisions of the Act to QIS, this Anti-Money Laundering Policy has been adopted by QIS to the extent cohesive with its functions and operations to ensure that QIS is always in compliance of the applicable provisions of the Act, Rules and SEBI Guidelines.

5. ANTI-MONEY LAUNDERING PROGRAM:

Meaning of 'Money Laundering':

Money Laundering is processing of criminal proceeds to disguise their illegal origin. It is a process by which persons knowingly or unknowingly indulge or attempt to indulge in the following processes or activities with respect to the proceeds of crime:

- a. Concealment; or b. Possession; or c. Acquisition; or d. Use; or e. Projecting as untainted property; or f. Claiming as untainted property.

Stages of money laundering:

Placement is the initial stage in which money from criminal activities is placed in financial institutions. One of the most common methods of placement is structuring- breaking up currency transactions into portions that fall below the reporting threshold for the specific purpose of avoiding reporting or recordkeeping requirements.

Layering is the process of conducting a complex series of financial transactions, with the purpose of hiding the origin of money from criminal activity and hindering any attempt to trace the funds. This stage can consist of multiple securities trades, purchases of financial products such as life insurance or annuities, cash transfers, currency exchanges, or purchases of legitimate businesses.

Integration is the final stage in the re-injection of the laundered proceeds back into the economy in such a way that they re-enter the financial system as normal business funds. Banks and financial

intermediaries are vulnerable from the Money Laundering point of view since criminal proceeds can enter banks in the form of large cash deposits.

The laundered proceeds re-enter the financial system appearing to be normal business funds and market intermediaries may unwittingly get exposed to a potential criminal activity while undertaking such normal business transactions.

Objective of AML Program:

In order to ensure that QIS is not utilized intentionally or unintentionally for

carrying out money laundering activities, it shall have in place an AML Program setting out adequate policies, practices, and procedures that helps in preventing money-laundering activities.

The AML Program shall comprise of the following activities to be performed by QIS:

- a. Adoption of written procedures related to the overall client due diligence process.
The CDD process shall be carried out on a risk-sensitive basis.
The written procedures shall comprise of (i) Policy for acceptance of clients; (ii) Procedure for identifying the clients; and (iii) Transaction monitoring and reporting especially suspicious transaction reporting.
- b. Risk Assessment- QIS shall carry out a risk assessment exercise to identify, assess and take effective measures to mitigate ML/TF risks with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, products, services, transactions or delivery channels, that is consistent with any national risk assessment conducted by a body or authority duly notified by the Central Government. The risk assessment carried out shall consider all relevant risk factors before determining the level of overall risk and 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. The risk assessment shall also take in to account the list of Designated Individuals/ Entities who are subject to sanctions under the various UN Security Council Resolutions.
- c. Appointment of Principal Officer and Designated Director;
- d. Recordkeeping & retention of records including records of information reported to the Director, FIU-IND;
- e. Suspicious transaction monitoring and reporting in particular circumstances as may be required;
- f. Co-operating with law enforcement agencies in their efforts to trace the money laundering transactions and persons involved in such activities;
- g. On-going training to the employees to ensure strict adherence to CDD requirements; and
- h. Submission of reports to Financial Intelligence Unit-India (FIU-IND) in the prescribed formats of CTR, STR, and NTR as and when required..

The process of CDD is covered in a separate document which is by reference included in this Policy (See Annexure I – Anti-money laundering procedures) and amendments or modifications to the said procedure will be carried out by the Designated Director and ratified by the Board of Directors at its annual review.

6. APPOINTMENT OF PRINCIPAL OFFICER & DESIGNATED DIRECTOR:

The Board of Directors of the Company shall be the competent authority for identifying and appointing the Principal Officer per the provisions of the Act.

The details of the appointment including the name, designation, and address of the Principal Officer will be intimated to FIU-IND immediately upon appointment. Similarly, any changes to the aforesaid details of the Principal Officer will be intimated to FIU-IND immediately.

Principal Officer will be responsible to ensure that:

- a. These policies and procedures are implemented effectively by QIS.
- b. The identification and assessment of potentially suspicious transactions, if any, are done on regular basis.
- c. QIS reports the suspicious transactions, if any, to the authorities concerned within the specific time as per the provisions of the Act.
- d. QIS is regularly updated regarding any changes/ additions/ modifications in provisions of the Act, Rules and SEBI Guidelines.
- e. QIS responds promptly to any request for information, including KYC related information, if applicable received from the regulators, FIU-IND, and other statutory authorities.
- f. Any other responsibilities assigned by the Board of Directors or any other official authorized by the Board of Directors with respect to the implementation of the SEBI Guidelines issued from time to time.

Additionally, QIS shall also designate an official as 'Designated Director'. The Designated Director will ensure overall compliance with the obligations imposed under Chapter IV of the Act and the PMLA rules to the extent applicable to QIS.

QIS shall also communicate details of the Designated Director, such as name, designation, and address including any changes therein to the FIU-IND immediately upon appointment.

7. RECORD KEEPING:

QIS shall maintain information of all the transactions entered into by it as required under Rule 3 of the Rules including:

- a. All cash transactions greater than INR 10.00 lakhs or its equivalent in foreign currency.
- b. All series of cash transactions integrally connected to each other which have been individually valued below INR 10.00 lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of INR 10.00 lakhs or its equivalent in foreign currency;
- c. All cash transactions where 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;
- d. All suspicious transactions whether or not made in cash and including inter-alia, credits or debits from any non-monetary account such as Demat account, security account maintained by QIS .

Further, QIS shall also maintain and preserve the following information in respect of the transactions referred to in paragraph 7(a) to 7(d) above:

- 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.

Further pursuant to section 12(3) of the Act QIS shall maintain records of the the aforesaid transactions for a period of 5 years from the date of the transaction between the client and QIS.

However, QIS does not accept cash payments from clients for any type of transaction. In case cash is deposited by a client directly in to the account of QIS the said funds shall be refunded within seven working days from the date of receiving the client details for a refund.

8. RETENTION OF RECORDS:

QIS has established a mechanism for proper maintenance and preservation of records and information arising out of its functions and operation so as to allow easy and quick retrieval of data as and when requested by the competent authorities. For this purpose:

- a. All the records and information of QIS will be maintained on its servers, and only authorized personnel shall have access to them.
- b. QIS shall maintain and preserve for a minimum period of 5 years information with respect to the identity of its clients like passports, identity cards, driving licenses, and beneficial owners as well as account files and business correspondence subject to QIS engaging in account opening activities or dealing with client's funds or securities.

The said period of five years shall commence either after the business relationship with the client has ended or the account has been closed, whichever is later.

- c. Information where the records relate to on-going investigations or transactions which have been the subject of suspicious transaction reporting, shall be retained until it is confirmed that the case has been closed.
- d. QIS shall maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, for a period of 5 years from the date of the transaction between the client and the intermediary.
- e. In the event of QIS engaging in the process of account opening of the client or obtaining a registered power of attorney or being subjected to any enquiry with respect to any ongoing investigation QIS shall maintain and preserve all relevant documents like account opening forms and their supporting documents and all instructions for operating the account given by the client or its duly registered power of attorney for a minimum period of 5 years after the account is closed.

The said retention period shall be modified on receiving appropriate instructions from any regulatory authority like SEBI, FIU-IND, or any other statutory authority.

SEBI Guidelines casts an obligation on registered intermediaries to maintain records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for the prosecution of criminal behaviour.

To enable the reconstruction of information or financial profile of any suspect account for purposes specified under the Act, Rules Or SEBI Guidelines QIS shall retain the following information for the accounts of their subscribers from which it receives funds in order to maintain a satisfactory audit trail:

- a. The details of the beneficial owner of the account;
- b. The value of the transaction/s between QIS and the client;
- c. Certified copies of identity and address proof of the client where it is required to collect and maintain the said documents under the Act, Rules or SEBI Guidelines; and
- d. For selected transactions:
 1. The origin of the funds;
 2. The form in which the funds were offered e.g. cheques, demand drafts, etc.;
 3. The identity of the person undertaking the transaction;
 4. The destination of the funds; and
 5. The form of instruction and authority.

The aforesaid information shall be retained for a minimum period of 5 years or as prescribed under the Act, Rules or the SEBI Guidelines.

9. SUSPICIOUS TRANSACTION MONITORING AND REPORTING IN PARTICULAR CIRCUMSTANCES:

QIS shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, QIS shall be guided by the definition of a suspicious transaction contained in Rules as amended from time to time and guidelines if any issued by FIU.

For details of how QIS may identify suspicious transactions refer to the “reporting of suspicious transactions” section in Annexure I.

Any suspicious transaction observed by any employee of QIS shall be immediately notified to the Principal Officer. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall not be told of the report/ suspicion. In exceptional circumstances, consent may not be given to continue the contractual obligation, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken. The Principal Officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

It is likely that in some cases transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. QIS shall report all such attempted transactions in STRs, even if not completed by clients.

The Policy categorizes clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as ‘CSC’. Such clients shall also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.

10. REVIEW OF OPERATIONS:

The conduct of operations per the Act, Rules and the SEBI Guidelines including compliance with client due diligence procedures, maintenance of records, and monitoring of transactions shall be carried out as and when the same applies to QIS and is determined necessary under the applicable provisions of

the Act, Rules and SEBI Guidelines. The involvement of external auditors for this process shall also be considered if the same is deemed necessary.

11. HIRING / EMPLOYEES TRAINING / INVESTOR EDUCATION / SYSTEM SUPPORT:

Hiring: QIS shall follow adequate screening procedures while hiring employees and also ensure that the employees dealing with the implementation of the provisions of the Act and Rules or SEBI Guidelines are suitable and competent to perform their duties.

Employees Training: All employees must be made aware of the existence of this Policy. The requirements of the Policy should be explained to all employees through training or related methods. QIS shall have an ongoing training program conducted by its Principal Officer and Senior Management. All the key employees shall actively participate in the seminars conducted by the Principal Officer and Senior Management from time to time, so that the members of the staff are adequately trained in AML (Anti-Money Laundering) /CFT (Combating Financing of Terrorism) procedures.

Also, all the PMLA related circulars issued by various Regulatory bodies shall be circulated to all the staff members and the same shall also be discussed at length, in the Training Program. Training Program will have a special emphasis on frontline staff, back-office staff, compliance staff, risk management staff, and staff dealing with new subscribers.

Investor Education: Implementation of AML/CFT measures requires us to demand certain information from subscribers which may be of personal nature or which has hitherto never been called for. Such information can include documents evidencing source of funds/ income tax returns/ bank records etc. This can sometimes lead to the raising of questions by the subscriber with regard to the motive and purpose of collecting such information. There is, therefore, a need to sensitize subscribers about these requirements as the ones emanating from AML and CFT framework. QIS may to the extent required prepare specific literature/pamphlets etc. so as to educate the subscribers of the objectives of the AML/CFT programme.

QIS shall also ensure that necessary disclaimers with respect to compliance with the provisions of the Act and the Rules are published on its website and set out in the relevant communications sent to the subscribers as may be determined by the Board of Directors.

12. REGISTRATION WITH THE FINANCIAL INTELLIGENCE UNIT-INDIA:

QIS shall obtain requisite registration with the Financial Intelligence Unit-India and comply with such requirements as applicable to it or directed by the FIU-IND subject to the same being cohesive with the functions and operations of QIS.

13. AMENDMENTS AND MODIFICATIONS:

Any modifications, additions, or changes to this Policy will be in accordance with any amendments to the Act, Rules and SEBI Guidelines and shall be immediately effective from the date of the said amendments, changes or modifications subject to the same being applicable to QIS.

In case any amendments, clarifications, circulars, and guidelines issued by the Securities and Exchange Board of India/Stock Exchanges, not being consistent with the provisions laid down under this Policy, then the provisions of such amendments, clarifications, circulars, and the guidelines shall prevail upon the provisions contained in this Policy and the same shall stand amended accordingly effective from the date as laid down under such amendments, clarifications, circulars, and guidelines.

Any additional modification to Annexure I of this Policy shall be carried out by the Board of Directors or person authorized by the Board. The modified version will be circulated to the employees of QIS for their information and for observing compliance with the same.

14. DISCIPLINARY ACTION:

A violation of standards, procedures, or guidelines established pursuant to this Policy shall be presented to the Compliance Officer for appropriate action and could result in disciplinary action, including expulsion, dismissal, and/or legal prosecution.

15. REVIEW:

This Policy shall be reviewed on an annual basis with regard to testing its adequacy to meet the compliance requirements of the Act and relevant circulars issued by any regulatory or statutory body.

16. ACKNOWLEDGEMENT:

Employees are responsible for reading, understanding, and complying with this Policy, including the supplement or any amendments, modifications made to it from time to time. A copy of the Policy will be provided to all the employees of the Company. They must sign and return the acknowledgment form prescribed at Annexure II (Acknowledgement with the procedures set out under Anti-Money Laundering Policy) to the Company as a token of acceptance of the Policy.

Annexure I

(Anti-money laundering procedures)

QIS being a registered Investment Adviser deals with the client for advising in mutual funds wherein the clients are on boarded as per the SEBI Investment Advisers Regulations, 2013 i.e. signing an agreement with clients followed by KYC of clients which include registering of clients at CKYC Registry portal if they are not registered.

Every employee is expected to adhere to these anti-money laundering procedures at all times, as and when applicable, and any deviation or variation from the same shall be considered as non-compliance with the provisions of the Policy and non-compliant employee shall be subjected to disciplinary action including up to termination.

Section A: Client Acceptance Policy

The client acceptance policy aims to identify the types of clients that are likely to pose a higher than average risk of Money Laundering or Terrorist Financing. All or some of the following safeguards as considered appropriate are to be followed while accepting the clients where it is an account based client relationship or where the safeguards are otherwise required to be followed.

1. No account is opened or transaction entered with a person having a fictitious / benami name or on an anonymous basis;
2. All KYC documentation and applicable CDD procedures shall be followed at the time of commencing an account based relationship or where it is required to do so under the Act, Rules or SEBI Guidelines
3. Submission of all documents required to conduct KYC under the applicable provisions of the Act, Rules and SEBI Guidelines shall be pre-requisite for opening of an account based relationship or when it is otherwise mandated under the Act, Rules or SEBI Guidelines. Incomplete applications including incomplete documentation will be rejected.
4. The authorized official/employees of QIS shall personally verify the photograph of the client affixed on the Account Opening Form (AOF) and the proof of identity documents with the person concerned. A stamp of "Identity Verified In Person must be affixed (as a proof of In Person Verification) on the AOF against the photograph of the client & on the proof of identity documents. Identity verification may also be carried out in any other manner that may be permitted under the Rules and the SEBI Guidelines and appropriately documented. In case an in person verification has been done the authorized official of QIS who has done in- person verification and verified the documents with original should also sign on the AOF and ID proof.
5. Each original document shall be seen prior to acceptance of a copy. Stamp of 'documents verified with originals' must be affixed along with the signature of the authorized person.
6. QIS shall upload the KYC data with CKYCR in respect of individual accounts opened and wherever KYC is required to be carried out per the circulars issued by SEBI from time to time.
7. In case of any discrepancy or non-provision of information by the client, QIS shall seek necessary clarification from the applicant and activate the account only when the discrepancy is resolved or the deficiency is corrected or resolved. E.g. cases where names mentioned on the AOF and that on the PAN Card do not match etc.
8. Verify the customer's identity using reliable, independent source documents, data or information by following the procedure detailed hereunder:

The PAN Card details will be verified with the name(s) appearing on the website of the Income Tax Department <http://incometaxindiaefiling.gov.in/challan/enter>.

In case the name(s) do not match or the PAN Card details are not present in the PAN Card database, QIS would seek necessary clarification from the applicant(s) and activate the account only when the discrepancy is resolved.

9. The applicant shall be required to disclose his/ her financial status and occupation details as required under the Act.

10. QIS may modify the Format of Account Opening Form (AOF) to obtain the necessary information of the client in order to achieve, wherever necessary the PMLA objective.

11. If the applicant has completed the KYC procedure with the Central KYC Records Registry (CKYCR) or any KYC Registration Agency (KRA) as applicable, in-person-verification will not be required.

12. The names of the applicants shall be checked against the database of names mentioned in the caution list made out in the periodic United Nations Security Council public statements so as to avoid the opening of accounts of such individuals.

13. Identify the circumstances under which the client is permitted to act on behalf of another person/entity and the documentation should clearly set out the manner of operations of the account, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details.

14. An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>. QIS shall ensure that it does not enter into contractual obligations/ transactional relationships with individuals/entities whose name appears in said list. QIS shall continuously scan all existing client contracts to ensure that it has no transactional relationship with any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to SEBI and FIUIND.

QIS shall ensure that the identity of the client does not match with any person having a known criminal background or is banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency. This is facilitated by scanning the names of the clients.

Section B: Client Identification Procedure

QIS shall collect sufficient information from their clients in order to identify and verify the identity of the clients and the persons who are beneficial owners of the client account..

Business Relationship with Politically Exposed Person (PEPs):

QIS shall seek relevant information from the client, refer to publicly available information or access the commercial electronic databases of PEPs.

Any business relationship with PEPs including their family members and close relatives can only be established with the consent of the Senior Management.

Where a client has been accepted and the client is subsequently found to be, or subsequently becomes a PEP, senior management approval shall be obtained to continue the business relationship. QIS shall also take reasonable measures to verify the sources of funds as well as the wealth of clients.

Categorization of Clients

Clients shall be classified into low, medium, and high risk categories depending on the risk involved.

QIS shall conduct enhanced due diligence for clients classified as 'High Risk Clients'. The clients of special category are generally classified as high risk especially in case of account based relationships. Following are special categories of clients (CSC) which includes

1. Non-resident clients;

2. High net-worth clients;

In respect of clients in the category of Individuals/HUF those having a net worth of over INR 10.00 Crore or holding value over INR 10.00 Crore or declared income over INR 25.00 Lakh may be reckoned as High Net Worth Individuals (HNI);

3. Trust, Charities, Non-Governmental Organizations (NGOs), and organizations receiving donations;

4. Companies having close family shareholdings or beneficial ownership;

5. Politically Exposed Persons (PEP); i.e. 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.

6. Companies offering foreign exchange offerings;

7. 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 centers, tax havens, countries where fraud is highly prevalent;

8. Non face to face clients;

9. Clients with dubious reputation as per public information available (SEBI Debarred) etc.; and

10. Entities in respect of whom STRs have been filed earlier.

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 to conduct the enhanced due diligence before dealing with such clients.

Clients (other than regulated institutional clients) transacting in value greater than INR 10.00 lakhs and whose financial status has not been updated or transaction value is not in tune with declared financial status are categorized as Medium Risk.

Other clients are classified under low risk based on available client information.

Risk categorization of clients may be reviewed based on changing circumstances. QIS shall in respect of account based client relationships conduct ongoing due diligence and scrutiny, i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with QIS's knowledge of the client, its business, and risk profile.

QIS shall seek updation of documents taken from the clients annually.

Risk Assessment:

QIS shall carry out a risk assessment exercise to identify, assess and take effective measures to mitigate ML/TF risks with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, products, services, transactions or delivery channels, that is consistent with any national risk assessment conducted by a body or authority duly notified by the Central Government. The risk assessment carried out shall consider all relevant risk factors before determining the level of overall risk and 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. The risk assessment shall also take in to account the list of Designated Individuals/ Entities who are subject to sanctions under the various UN Security Council Resolutions.

Section C: Monitoring of Transactions

Identification of Suspicious Transaction:

QIS shall in relation to its account based relationships if any adhere to the following for identifying Suspicious Transactions:

1. Pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.
2. The PMLA Committee shall examine transactions / clients under alert and comment whether these may be considered as suspicious transactions. The Principal Officer may consider the PMLA Committee's views before taking a final decision on whether or not to report the said transaction/s to the FIU.
3. Specify if considered appropriate internal threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits.
4. 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/FIU-IND/ other relevant Authorities, during audit, inspection or as and when required.
5. 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.

While monitoring the transactions, QIS may shift the clients from one risk category to another depending upon the risk perceived by QIS.

Reporting of Suspicious Transactions (STR):

The staff of the operations department concerned shall monitor all transactions executed by clients and report to the PMLA Committee any transaction that appears to be of suspicious nature. The operations department shall handover a detailed report to the PMLA Committee comprising details such as specific reference to the clients, transaction and the nature/reason of suspicion etc.

The PMLA Committee shall analyze and examine such data and then decide if any transaction listed therein warrants a closer inspection or not. It shall maintain the records of all such data received from depositories and record the action taken thereon.

In case the PMLA Committee comes across any transaction that appears to be of suspicious nature, it shall provide its views on such transactions to the Principal Officer. The Principal Officer shall after considering the views of the PMLA Committee take a final decision on whether or not to report the said transaction as an STR to The Director, FIU-IND in the prescribed format, within 7 working days of being satisfied that it is a suspicious transaction. In case transactions are abandoned or aborted by clients, on being asked to give some details or to provide documents, QIS shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

QIS shall not put any restriction on operation in the accounts of any client where an STR has been made and the same has been reported to FIU-IND. QIS is prohibited from disclosing the same to the client for whom the STRs have been reported to FIU-IND. However, in exceptional circumstances consent may not be given to continue to operate the account, and transaction may be suspended.

QIS shall adhere to the following while reporting transactions to FIU-IND:

1. The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th day of the succeeding month;
2. The STR shall be submitted within 7 working days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall record her reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion;
3. The Non-Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month;
4. The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;
5. Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND; and
6. No nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious/ non – profit organization transactions to be reported.

Annexure II

(Acknowledgement)

I have read and understood the Anti-Money Laundering Policy version (_____) issued by the Company. I have understood the policies and procedures as described in the said Policy and agree to abide by them and also the future amendments to the policies and procedures, which may be implemented and incorporated in the said Policy from time to time.

Name: _____

Date: _____

Signature: _____

Employee ID: _____

INSTRUCTIONS:

Kindly return the acknowledgement duly completed and signed to the Human Resources/Compliance Department within 7 days of issuance of a copy of the Policy to you.

Annexure III
(Important Terms)

Suspicious Transaction means a transaction whether or not made in cash which, to a person acting in good faith:

- a. Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime;
- b. Appears to be made in circumstances of unusual or unjustified complexity. Appears to have no economic rationale or bona-fide purpose;
- c. Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;
- d. Verification of identity or address details seems difficult or found to be forged/ false;
- e. Asset management services where the source of the funds is not clear or not in keeping with apparent standing /business activity;
- f. Substantial increases in business without apparent cause;
- g. Unusual & Unexplained large value of the transaction;
- h. Clients based in high risk jurisdictions;
- i. Transfer of large sums of money to or from overseas locations;
- j. Unusual and unexplained activity in dormant accounts; or
- k. Clients whose identity verification seems difficult or clients that appear not to co-operate.