

**PMLA POLICY**  
**TRDEZ INVESTMENT PRIVATE LIMITED**  
**Version- 1.0**

<b>Author:</b>	MS. VANSHIKA GHAG - (Governance Risk and Compliance Analyst)
<b>Owner:</b>	MR. CHETAN DHAR- (Compliance Officer)
<b>Organization:</b>	<b>TRDEZ INVESTMENT PRIVATE LIMITED</b>
<b>Version No:</b>	1.0
<b>Date:</b>	06/10/2023

## Document Control

**Document Title**      **PMLA POLICY**

## Version History

Version No.	Version Date	Author	Summary of Changes	Approval By	Title	Date of Approval
1.0	06/10/2023	Ms. Vanshika Ghag Governance Risk and Compliance Analyst	NA	Mr. Chetan Dhar Compliance Officer	PMLA POLICY	06/10/2023

## Distribution

Name	Title	Date of Issue	Version No
NA	NA		NA

## Guidelines on Anti Money Laundering

The Prevention of Money laundering Act, 2002 (PMLA) has been brought into force with effect from 1<sup>st</sup> July 2005. Necessary Notifications / rules under the said act have been published in the Gazette of India on 01<sup>st</sup> July 2005 by the Department of Revenue, Ministry of Finance, Government of India.

As per the provision of the Act, 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, underwriters, portfolio managers, investment adviser and any other intermediary associated with securities market & registered under section 12 of the Securities & Exchange board of India Act, 1992) shall have to maintain a record of all transactions; the nature & value of which has been prescribed in the rules notified under the PMLA.

Such transactions include:

1. All Cash Transactions of the value more than rupees ten lakh or its equivalent in foreign currency.
2. 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 50 lakh;
3. All Cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine & where any forgery of a valuable security has taken place facilitating the transactions.
4. All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

The guidelines enclosed herewith are issued in the context of recommendations made by the Financial Action Task Force (FATF) on anti-money laundering standards as well as SEBI.

**The Illustrative list of Clients of Special Category (CSC) shall be read as under :-**

- **Non-Resident Clients :**

While opening an NRI account utmost care is being exercised. While opening an NRI Repatriable or NRI Non Repatriable we collect the following documents from the clients:

1. Pan Card Copy
2. Passport Copy
3. Indian Address Proof
4. Cancelled Cheque copy of NRE A/c
5. PIS Permission issued from RBI.
6. NRI Address Proof
7. Bank Statement Copy

- **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 Net worth of Rs.10 Crores or more.

- **Trust, Charities, NGOs And Organizations Receiving Donations :**

Both public as well private, registered as well non registered trust will have to be classified in the special category. Any Charitable or Non-governmental organization or a Non-Profit Organization will be also classified herein.

- **Companies Having Close Family Shareholdings Or Beneficial Ownership :**

In case of close family shareholdings the objective is to understand whether the beneficiaries of two or more accounts, which have been opened at different times, are the same, if yes, then both need to be marked under this special category.

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.

- **Politically Exposed Persons (PEP) :**

PEP are the 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. PEPs may be identified in below mentioned manner:

1. The client himself provides the details of being PEP
2. Through publicly available information
3. According to the database available in our TSS software.

In case of PEPs an extra care is taken while opening the account. We open such accounts only after informing senior management.

We identify the beneficial owner in a PEP client and take supporting document to ascertain the identity of such beneficial owner.

We take reasonable measures to verify the source of funds of clients identified as PEP. For this purpose we take the details of client's profession or in case the PEP is a salaried person we take proof of salary slip or Form 16 so as to ascertain intended nature of relationship & also monitor the portfolio valuation vis a vis income details of such clients.

If the client is subsequently found to be or subsequently becomes PEP we obtain a Senior Management approval to continue the business relationship.

- **Companies Offering Foreign Exchange Offerings :**

At the account opening stage if it is to our knowledge that the individual or the entity is registered as a foreign exchange dealer, then they may be categorized into this point in the list.

- **Clients In High-Risk Countries (Where Existence / Effectiveness Of Money Laundering Controls Are Suspected Or Which Do Not Or Insufficiently Apply FATF Standards :**

We avoid opening any account received from client who is or was residing in a high-risk jurisdiction and may have investment proceeds which may have also originated from high-risk jurisdiction countries as specified time to time as per UNSC.

- **Non Face To Face Clients :**

In person verification is done for all clients. But there may be clients who may register a Third-party Power of Attorney for somebody else in their account and in that scenario as the account would be controlled not by the account holder but by some other individual we would treat client as a non-face to face client.

- **Clients With Dubious Reputation As Per Public Information Available :**

A) We identify clients with dubious reputation through our software as well as information available in public through certain websites. The definition of 'client with dubious reputation' majorly involves such entities whose name has come in the past SEBI orders or in media related to unscrupulous activities. The monitoring of such clients is similar to a 'high risk client'.

B) The background including all documents / office records / memorandums/ clarifications sought pertaining to such transactions & purpose thereof are also being examined carefully & findings are recorded. Further such findings, records & related documents are made available to auditors and also to SEBI / Stock Exchanges / FIU-IND/ other relevant Authorities, during audit, inspection or as & when required. These records are preserved for five years as is required under PMLA 2002.

C) Unusual transactions by CSCs & businesses undertaken by, offshore banks / Financial services, businesses reported to be in the nature of export-import of small items who appears to have no economic rationale or bona fide purpose.

D) The Principal officer / Money Laundering control Officer and other appropriate compliance, & related staff members have timely access to customer identification data & other CDD information, transaction records & other relevant information.

E) We have directed that CSC (Clients of Special Category) should 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, & applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc. or gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism. We also capture the name of persons who are authorised to act on behalf of the client in case of CSC.

F) The Principal Officer also has been given access to report to senior management above his/her next reporting level or the Board of Directors.

An updated list of individuals & entities which are subject to various sanction measures such as freezing of assets/ accounts, denial of financial services etc; UNSCRs can be accessed in the United Nations website at <http://www.un.org/sc/committees/1267/consolist.shtml>. TRDEZ has directed that before opening any new account, it will be ensured that the name/s of the proposed customer does not appear in the list. Further, TRDEZ shall continuously scan all existing accounts to ensure that no accounts is held by or linked to 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 will immediately be intimated to SEBI & FIU-IND.

#### **Information To Be Maintained :-**

We have been maintaining preserving the following information in respect of transactions which includes:

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

## **Clients Identification Procedure / Risk Profiling Of The Client :-**

The Details of Financial Status, Nature of Business and complete client background are obtained & on the basis of details provided the clients are classified into low, medium & high risk. The checks & balances are in place to verify the identity of the client with database or civil proceedings by any agency worldwide through the website [www.watchoutinvestors.com](http://www.watchoutinvestors.com), SEBI Debarred List, UNSC, PEP, OFAC (of Foreign Access and Control given by US Treasury Dept)

We accept the client based on the risk they are likely to pose. The aim is to identify clients who are likely to pose a higher than average risk of money laundering or terrorist financing.

By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high-risk clients we have to apply higher degree of due diligence. In order to achieve this, we have classified all clients in the following category;

High

Medium

Low

### **High Risk Clients :**

1. Clients against whom any action has been taken by SEBI / CDSL or any other regulatory authority.
2. Clients in high-risk countries (where existence / effectiveness of money laundering controls are suspected or which do not or insufficiently apply FATF Standards.
3. Clients under the Special Category.

### **Medium Risk Clients :**

Client who is permitted to act on behalf of another person in the Manner of operating such accounts on the basis of POA.

### **Low Risk Clients :**

All clients not meeting the above criteria are low risk clients.



### **Client Due Diligence :-**

A complete Due diligence has been exercised while establishing the identity of the intending BO(s), thus ensuring the safety & integrity of the system. The details related to the nature of business & financial status is obtained at the time of account opening or executing any transactions.

We also identify persons who beneficially own or control the demat account through share holding pattern, HUF/Firm declaration deed, trust declaration etc. . A complete In-Person verification of the clients as well as the documents as per the guidelines of SEBI & CDSL are obtained from the client and are verified with originals. We ensure complete “Know Your Client” (KYC) guidelines are adhered to without any exception.

No Account is being opened in a fictitious / benami name or on an anonymous basis. We do not open accounts where the client refuses to provide information / documents and we shall have sufficient reason to reject the client towards this reluctance.

The Periodic updating of the documents, data or information of the clients collected are updated at regular intervals specifically for high-risk category of clients i.e. we identify the income group & portfolio value of the top holding clients where the shareholding pattern details & financial details of such clients are updated.

### **Red Flag Alerts :-**

As per the direction issued by the Exchange / SEBI / FIU-IND, we have implemented certain Red Flag Indicators in our system as per the guidelines for detecting suspicious transactions for stock brokers:

1. The Client provides multiple variations of name, address, phone number or additional identifiers.
2. Funds are generated by a business owned by persons of the same origin or by a business that involves persons of the same origin from higher-risk countries (e.g., countries designated by national authorities and FATF as non-cooperative countries and territories).
3. The stated occupation of the customer is not commensurate with the type or level of activity.

4. A large number of incoming or outgoing funds transfers take place through a business account, and there appears to be no logical business or other economic purpose for the transfers, particularly when this activity involves higher-risk locations.
5. Fund transfers do not include information on the originator, or the person on whose behalf the transaction is conducted when the inclusion of such information would be expected.
6. Multiple personal and business accounts or the accounts of nonprofit organizations or charities are used to collect and funnel funds to a small number of foreign beneficiaries.

#### **Maintenance & Preservation Of Records :-**

We have taken appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy & quick retrieval of data as and when requested by competent authorities. Further, the records have to be maintained & preserved for a period of five years from the date of cessation of the transactions between the client & intermediary.

We have formulated & implemented the client identification program containing the requirements & such other additional requirements that it considers appropriate. The records of

the identity of clients have to be maintained & preserved for a period of five years from the date of cessation of the transactions between the client & intermediary.

Reporting to Financial Intelligence Unit-India

In terms of the PMLA rules, the reporting of information relating to cash & 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.**

**Procedure For Freezing Of Funds Financial Assets Or Economic Resources Or Related Services :-**

As the Government is also 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 various such circulars/ regulatory orders or any other person engaged in or suspected to be engaged in terrorism.

We shall be responsible to carry out the directions as issued to us in order to ensure its effective and expeditious implementation.

**Investors Education :-**

We shall ensure to sensitize clients about the requirements of calling for information and documents evidencing source of funds/income tax returns/bank records etc. by regulators. And that these requirements emanate from AML and CFT framework.

**Reliance On Third Party For Carrying Out Client Due Diligence (CDD) :-**

1. We can 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.
2. 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.

### **Alert Generation And Monitoring Of Alerts :-**

CDSL has been sending alerts at fortnightly intervals to DPs through Report module to enable DPs to identify and report suspicious transactions (STRs). The alerts send by CDSL are uploaded in the software named TSS (Tanna Software solutions) installed for PMLA.

Apart from the CDSL Alerts received on a fortnightly basis this internal mechanism provided in the software generates separate alerts and those alerts are also monitored through the TSS Software along with CDSL alerts.

### **The Types Of Alerts Received:**

1. **Fiu 1** :- Details of debit and credit transactions due to Off-market or Inter-depository transfers, involving 'x' shares or more, or having value of Rs. 'y' and above, whichever is smaller, in an account, in an ISIN, in a single transaction or series of transactions executed during the fortnight.

For example: Suppose Client A has transferred 5000 shares of Tata Steel having an approx valuation Rs.19,00,000 to client B's demat account in TRDEZ. In this case CDSL shall send **fiu1** file since this is a high value transaction, consisting details of client B mentioning the credit of shares received from Client A.

2. **Fiu 2** :- Details of debit and credit transactions due to demat, remat and pledge involving 'x' shares or more in an account, in an ISIN, in a single transaction or series of transaction executed during the fortnight.

For example: Client A having demat Account in TRDEZ has given a pledge request for 5000 Tata Steel shares having approx. valuation of Rs.19,00,000 to the DP other than TRDEZ. CDSL shall include details of this transaction in **fiu2** file and send to TRDEZ.

3. **Fiu 3** :- Details of debit and credit transactions involving 'x' shares or more or having value of Rs. 'y' and above, whichever is smaller in an account, in an ISIN, which exceed 'n' times the average size of the transaction calculated for the previous months' transactions

For example: Client A having demat Account with TRDEZ does 10 off market instructions in the month of say Jan however in the month of Feb his off-market transfer increased to 30 which

clearly is more as compared to the previous month by 3 folds then such transactions shall be included in the **fiu3** file received from CDSL.

4. **Fiu 4:** -Details of Off-market transactions (within CDSL or Inter-depository) where there are more than 'x' transactions from one particular account to many other accounts may or may not be related to each other for the past fortnight.

For example: Client A having Demat Account in TRDEZ Securities Ltd transfer shares of Tata Steel to many other clients of TRDEZ Securities Ltd or any other DP in large numbers Such transactions shall be included in **fiu4** file received from CDSL.

5. **Fiu 5:-** Any debit transaction in a dormant account for more than 'x' shares or Rs. 'y' whichever is smaller; will be reported as an alert. An account having no 'Debit' Transaction' in the last 'n' months will be considered as 'Dormant' account for this purpose.

For example: Client A is a Dormant Account (not active for 6 months i.e. no transaction in the said account since last 6 months) transfers 500 shares of Tata Steel to Client B in TRDEZ or outside TRDEZ such transactions shall be included in **fiu5** file of CDSL.

6. **Fiu 6:-** Off\_ Market\_ Multiple\_ Counterparty: - FIU transactions involving multiple counterparties. This includes several clients transferring 'x' shares of Rs. 'y' to one client in the same DP or from outside DP.

For example: Client A, Client B, Client C frequently transferring various shares of different quantity with multiple valuations to one Client D in TRDEZ Securities Ltd such transaction shall be included in fiu6. This fiu6 is generated from our internal software TSS. This is an additional alert file generated from the five alerts received from CDSL.

7. **Fiu7:** - Off\_ Market\_ Multiple \_Counterparty :- FIU transactions involving one counterparty with multiple clients this includes one client 'a' transferring 'x' shares of Rs. 'y' to multiple accounts in the same DP or any other DP outside.

For example: Client A transferring various shares of multiple quantities of various valuations to Client B, Client C, Client D either in TRDEZ or outside TRDEZ shall be included in fiu7. This

fiu7 is generated from our internal software TSS. This is an additional alert file generated from our internal software of TSS apart from the five alerts received from CDSL.

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.

#### **AML Register :-**

The software displays the AML register for CDSL and the said alerts are shown in the register. The alerts are then analyzed by the DP team and closed with a valid reason of closure in form of ‘comment’ added to the alert. If there are certain alerts which may require further attention then it is escalated to the management team for further advice.

The software enables us to also report the suspicious alerts to FIU- IND with a detailed report of the suspicious transactions if found any done by the client in a prescribed format.

A proper policy framework covering client identification programme, retention of records & monitoring and reporting of suspicious transactions as per the guidelines on the anti - money laundering measures are put into place& also training programs are being conducted regularly for our employees including staff for AML & CFT.

#### **Hiring Of Employees :-**

The Screening procedure while hiring employees at TRDEZ is done by the HR department.

Our HR team ensures that the Staff which is being appointed does not have any suspicious background or doubtful integrity and are suitable and competent to perform their duties which can be ascertained through reference check. The background and conduct of the employee is checked with his/her previous employers. the past track record of the employee is also checked with the information available in public domain for any financial irregularity/ action taken by any Government authorities or he/ her being involved in unscrupulous activity in any manner.

We generally collect below mentioned documents for new employees hired:

- a. Photographs
- b. Proof of Address
- c. Identity Proof
- d. Proof of Educational Qualification
- e. NOC / Relieving letter from the previous employers, etc.

**Employees Training :-**

TRDEZ has an ongoing employee training programme for its staff in relation to AML& CFT procedures. We focus on frontline staff, back-office staff, compliance staff, risk management staff & staff dealing with new clients. Training is crucial for all staff members in order to fully understand the rationale behind these directives, obligations & requirements; and to implement them consistently and be sensitized to the risks of the systems which may be misused by unscrupulous elements.

**Review Of Policy :-**

Directors shall be the authority to review the policy updated by DP Team with any amendment etc., as directed by SEBI / FIU-IND and all changes shall be deemed to be incorporated in this policy from their effective date. We have approved this AML policy as reasonably designed to achieve and monitor our firm's ongoing compliance with the requirements of the PMLA and implementing regulations under it. The policy is reviewed within a year or as and when any important circulars are issued by any regulatory authority.

Designated Principal Officer: Mr. Sachin Khadtare

Email id: [sachin.khadtare@trdez.com](mailto:sachin.khadtare@trdez.com)

Tel No: 020-46706281

Pursuant to recent SEBI guidelines we have appointed Mr. Agast Mishra as designated director for which necessary information have been sent to FIU.

**TRDEZ INVESTMENT PRIVATE LIMITED**