



**Northeast Broking
Services Limited**

NORTHEAST BROKING SERVICES LIMITED

POLICIES AND PROCEDURES FOR PREVENTION OF MONEY LAUNDERING (Issued as per the requirements of the Prevention of Money Laundering Act 2002)

1. COMPANY POLICY:

It is the policy of the Company Northeast Broking Services Limited (NBSL) to prohibit and actively prevent money laundering and all activities that facilitate money laundering or funding of terrorist or criminal activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds also that the unlawful proceeds appear to have been derived from legitimate origins and/or constitute legitimate assets.

2.DESIGNATION OF OFFICERS FOR ENSURING COMPLIANCE WITH PROVISIONS OF PMLA:

I) APPOINTMENT, DESIGNATION AND DUTIES OF A PRINCIPAL OFFICER:

The Company shall appoint the 'Principal Officer' for its **Anti-Money Laundering Program (AML Program)**, with full responsibility for the Company's AML Program and has necessary qualification and experience, knowledge and training. The duties of the Principal Officer will include monitoring the Company's compliance with AML obligation and overseeing communication and training for employees. The Principal Officer will also ensure the proper AML records are kept. When warranted, the Principal Officer will ensure filing of necessary reports with the **Financial Intelligence Unit (FIU-IND)** under notice to **Designated Director** and Management.

The Company will provide the FIU with contact information of the Principal Officer and Designated Director, including name, title, mailing address, e-mail address, telephone number and facsimile number. The Company will promptly notify FIU of any change to this information.

Mr J Sunil Kumar, who is the President Operations of NBSL was appointed as Principal Officer. The details of his appointment have been intimated to the Financial Intelligence Unit, India (FIU - IND).

Name of the Principal Officer: J Sunil Kumar
Address: 1-2-51,203 Srikrupa Towers Domalguda Hyderabad-500029
Email:skjuvvadi@gmail.com
Ph No: 9866861119



II) Appointment of a Designated Director:

In addition to the existing requirement of designation of a Principal Officer, NBSL shall also designate a person as a 'Designated Director'.

Smt Saranya Lokareddy was appointed as Designated Director of NBSL as per Rule 2 (ba) of the PMLA. The details of appointment of Smt Saranya Lokareddy as Designated Director have been intimated to the FIU-IND. The designated director shall ensure overall compliance with the obligations imposed under chapter IV of the Act & the rules.

Name of the Designated Director: Smt Saranya Lokareddy

Address: H.No 8-2-674/2/B Road no 13 Banjarahills Hyderabad-500034

Email:saranya.nbsl@gmail.com,

Ph No: 9866316928

In terms of Section 13 (2) of the PMLA, the Director, FIU – IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of NBSL to comply with any of its AML/CFT obligations.

NBSL shall communicate the details of the Designated Director, such as, name designation and address to the Office of the Director, FIU – IND.

3. CUSTOMER IDENTIFICATION, VERIFICATION AND DUE DILIGENCE PROCESS:

- a. At the time of opening an account or executing any transaction with it, the Company verifies and maintains the standard documentation as per SEBI guidelines which will also hold good as per PMLA guidelines and verifies the authenticity of records/information provided to us viz., identity and current address or addresses including permanent address / correspondence addresses of the client, copy of PAN Card, Bank Statements, the nature of business of the client and financial status, and other relevant documents as per the KYC norms prescribed by the Exchanges and Depositories.
- b. If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our Company will not open such new accounts.
- c. All the existing accounts data will be periodically reviewed and updated. Annual income / Networth / financial details of client will also be updated and clients will be categorized based on net worth or risk perception.
- d. All PAN Cards received will be verified from the income tax/NSDL website before the account is opened, and the identity and address proofs and other documents given by clients are verified with the originals.
- e. The Company will maintain records of all identification information for five years after the account has been closed.

Broad categories of reason for suspicion and examples of suspicious transactions for NBSL are indicated as under:



Identity of Client :

- False identification documents
- Identification documents which could not be verified within reasonable time
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities
- Suspicious Background
- Suspicious background or links with known criminals
- Multiple Accounts
- Large number of accounts having a common account holder, introducer or authorized signatory with no rationale
- Unexplained transfers between multiple accounts with no rational activity in Accounts
- Unusual activity compared to past transactions
- Use of different accounts by client alternatively
- Sudden activity in dormant accounts
- Activity inconsistent with what would be expected from declared business
- Account used for circular trading
- Nature of Transactions
- Unusual or unjustified complexity
- No economic rationale or bona-fide purpose
- Sources of funds are doubtful
- Appears to be a case of insider trading
- Investment proceeds transferred to a third party
- Transactions reflect likely market manipulations
- Suspicious off-market transactions
- Value of Transactions. Value just under the reporting threshold amount in an apparent attempt to avoid reporting
 - Large sums being transferred from overseas for making payments
 - Inconsistent with the clients apparent financial standing
 - Inconsistency in the payment pattern by client
 - Block deal which is not at market price or prices appear to be artificially inflated/deflated

a) Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/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) Verifying the client's identity using reliable, independent source documents, data or information.

c) Identifying 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.



i. 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, NBSL shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

aa) 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:

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

bb) In cases where there exists doubt under clause (aa) 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.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

cc) Where no natural person is identified under clauses (aa) or (bb) above, the identity of the relevant natural person who holds the position of senior managing official.

ii. For client which is a trust:

Where the client is a trust, NBSL 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.

iii. 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 will not be necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

iv. Applicability for foreign investors:

While dealing with foreign investors, NBSL will be guided by the clarifications issued vide SEBI circulars CIR/MIRSD/11/2012 dated September 5, 2012 and CIR/ MIRSD/ 07/ 2013 dated September 12, 2013, for the purpose of identification of beneficial ownership of the client.



v. Reliance on third party for carrying out Client Due Diligence (CDD):

NBSL 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 NBSL shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

vi. Monitor of compliance:

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

- d) Verifying the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c).
- e) Understanding the ownership and control structure of the client.
- f) Conducting 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 NBSL's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds
- g) NBSL shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

4. MAINTENANCE OF RECORDS:

The Principal Officer will be responsible for the maintenance of the following records

A report of clients having taken exposure more than 9.9 lacs will be taken on daily basis and out of which suspicious transactions are verified based on following :

- a. Which 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.
- c. Appears to have no economic rationale or bona-fide purpose.
- d. Which gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.
- e. The nature of the transactions.
- f. The amount of transaction.



- g. The date on which the transaction was conducted
- h. The parties to the transaction.
- i. The records will be updated on daily basis, and in any case not later than 5 working days

i) Record Keeping:

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

NBSL shall maintain such records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behaviour.

Should there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, registered intermediaries shall retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:

- a) the beneficial owner of the account;
- b) the volume of the funds flowing through the account; and
- c) for selected transactions:
 - i. the origin of the funds
 - ii. the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
 - iii. the identity of the person undertaking the transaction;
 - iv. the destination of the funds;
 - v. the form of instruction and authority.

NBSL shall 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 shall retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed there-under PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

More specifically, all the intermediaries shall put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

- a) all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
- b) all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh 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 ten lakh rupees 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 by way of as mentioned in the Rules.

ii) Retention of Records:

NBSL shall take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PML Rules have to be maintained and preserved for a period of five years from the date of transactions between the client and NBSL.

As stated above, NBSL is required to formulate and implement the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. 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 the clients and NBSL has ended or the account has been closed, whichever is later.

Thus the following document retention terms shall be observed:

- a) All necessary records on transactions, both domestic and international, shall be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed thereunder as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.
- b) NBSL shall maintain and preserve the records 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 NBSL has ended or the account has been closed, whichever is later.
- c) In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they shall be retained until it is confirmed that the case has been closed.
- d) **Records of information reported to the Director, Financial Intelligence Unit – India (FIU – IND):** NBSL shall maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, as required under Rules 7 and 8 of the PML Rules, for a period of five years from the date of the transaction between the client and the NBSL.



5. MONITORING ACCOUNTS FOR SUSPICIOUS ACTIVITY

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

NBSL shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. NBSL 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 are required to be maintained and preserved for a period of five years from the date of transaction between the client and NBSL.

NBSL shall ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND. Suspicious transactions shall also be regularly reported to the higher authorities within the NBSL.

Further, the compliance cell of the NBSL 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.

NBSL 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, intermediaries shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:

- a) Clients whose identity verification seems difficult or clients that appear not to cooperate
- b) Asset management services for clients where the source of the funds is not clear or not in keeping with clients' apparent standing /business activity;
- c) Clients based in high risk jurisdictions;
- d) Substantial increases in business without apparent cause;
- e) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- f) Attempted transfer of investment proceeds to apparently unrelated third parties;
- g) Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services, businesses reported to be in the nature of export- import of small items.



Any suspicious transaction shall be immediately notified to the Money Laundering Control Officer or any other designated officer within the NBSL. 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 to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken. The Principal Officer/ Money Laundering Control 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. It is clarified that intermediaries shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

Master Circular 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'. Intermediaries are directed that 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.

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>. Registered intermediaries are directed to ensure that accounts are not opened in the name of anyone whose name appears in said list. Registered intermediaries shall continuously scan all existing accounts to ensure that no account 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 shall immediately be intimated to SEBI and FIU-IND.

i) 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 Government is also further empowered to prevent the entry into or the transit through India of Individuals listed in the schedule to the order or any other person engaged in or suspected to be engaged in terrorism.

NBSL shall ensure effective and expeditious implementation of the procedure laid down in the UAPA Order dated March 14, 2019 (Modified the earlier order dated August 27, 2009) as listed below:

a) On receipt of the updated list of individuals/ entities subject to UN sanction measures (hereinafter referred to as 'list of designated individuals/ entities') from the Ministry of External Affairs (MHA)' and forwarded by SEBI, NBSL shall take the followings steps:

i. NBSL will maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order (referred to as designated individuals/entities) are holding any funds, financial assets or economic resources or related services held in the form of securities with them.

ii. In the event, particulars of any of customer/s match the particulars of designated individuals/entities, NBSL shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance Policies etc, held by such customer on their books to the Joint Secretary (CTCR), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at jsctcr-mha@gov.in.

iii. NBSL shall send the particulars of the communication mentioned in (ii) above through post/fax and through e-mail (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Officer on Special Duty, Integrated Surveillance Department, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 as well as the UAPA nodal officer of the state/UT where the account is held, as the case may be, and to FIU-IND.

iv. In case the aforementioned details of any of the customers match the particulars of designated individuals/entities beyond doubt, NBSL would prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (CTCR), Ministry of Home Affairs, at Fax No. 011- 23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at jsctcr-mha@gov.in.

v. NBSL shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph above carried through or attempted, as per the prescribed format.



b) On receipt of the particulars as mentioned in paragraph above, CTCR Division of MHA would cause a verification to be conducted by the State Police and /or the Central Agencies so as to ensure that the individuals/ entities identified by NBSL are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by NBSL are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.

c) In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND. The order shall take place without prior notice to the designated individuals/entities.

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

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

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

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

iv. Upon receipt of the requests from the UAPA nodal officer of CTCR Division, the list would be forwarded to NBSL and the procedure as enumerated at paragraphs above shall be followed.

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



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

i. Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, shall move an application giving the requisite evidence, in writing, to NBSL. NBSL shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the nodal officer of CTCR Division of MHA as per the contact details given above within two working days.

The Joint Secretary (CTCR), MHA, being the nodal officer for (CTCR) Division of MHA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, within fifteen working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned stock exchanges, depositories and NBSL. However, if it is not possible for any reason to pass an order unfreezing the assets within fifteen working days, the nodal officer of CTCR Division shall inform the applicant.

f) Regarding prevention of entry in to or transit through INDIA:

As regards prevention of entry into or transit through India of the designated Individuals, the foreigners division of MHA, shall forward the designated list to the immigration authorities and securities agencies with a request to prevent the entry into or the transit to India. The order shall take place without prior notice to the designated individuals / entities.

The immigration authorities shall ensure strict compliance of the orders and also communicate the details of entry or transit through India of the designated individuals as prevented by them to the foreigners division of MHA.

g) Communication of Orders under section 51A of Unlawful Activities

(Prevention) Act:

All Orders under section 51A of the UAPA relating to funds, financial assets or economic resources or related services, would be communicated to stock exchanges, depositories and SEBI through Nodal officer by CTCR and Foreigners division of MHA.

6. REPORTING TO FIU - IND

For Cash Transaction Reporting (CTR)

Company is not accepting cash as the same is prohibited by SEBI as per their circular no SEBI/MRD/SE/Cir-33 dated 27-08-2003. The funds and securities shall be accepted only in accordance with above circular

As the company is not accepting cash, No CTR would be applicable, However if required, it should be as per prescribed CTR format. The Cash Transaction



Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month if any.

For Suspicious Transactions Reporting (STR)

- a. Alerts received from the Exchanges/Depositories are closely monitored and verified, if any suspicious nature of transaction found will be reported to FIU-IND and the Exchanges and Depositories within the deadlines.
- b. We will make a note of Suspicious Transactions that have not been explained to the satisfaction of the Principal Officer and thereafter report the same to the FIU IND within 7 days. This will typically be in cases where we know, suspect, or have reason to suspect.
- c. The transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade any the transaction reporting requirement.
- d. The transaction is designed, whether through structuring or otherwise, to evade if any requirements of PMLA Act and Rules framed thereof.
- e. The transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and we know, after examining the background, possible purpose of the transaction and other facts, of no reasonable explanation for the transaction, or
- f. The transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and we know, after examining the background, possible purpose of the transaction and other facts, of no reasonable explanation for the transaction, or
- g. The transaction involves the use of the firm to facilitate criminal activity.
We will not base our decision on whether to file a STR solely on whether the transaction falls above a threshold. We will file a STR and notify law enforcement of all transactions that raise an identifiable suspicion of criminal, terrorist, or corrupt activities.

All STRs filed will be brought to notice of the **Board of Directors** periodically, with a clear reminder of the need to maintain the confidentiality of the STRs.

The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion.

We will not notify any person involved in the transaction that the transaction has been reported, except as permitted by the PML Act and Rules thereof.

The Non Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month. The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND; Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND. No nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious/ non – profit organization transactions to be reported.



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

Director, FIU-IND,
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat,
Chanakyapuri,
New Delhi-110021.

*Website: <http://fiuindia.gov.in>

7. AML RECORD KEEPING

a. STR Maintenance and Confidentiality:

We will hold STRs and any supporting documentation confidential. We will not inform anyone outside of a law enforcement or regulatory agency or securities regulator about a STR. We will refuse any requests for STR information and immediately tell FIU IND of any such request we receive. We will segregate STR filings and copies of supporting documentation from other firm books and records to avoid disclosing STR filings. Our Principal Officer will handle all requests or other requests for STRs.

b. Responsibility for AML Records and STR Filing:

Principal Officer will be responsible to ensure that AML records are maintained properly and that STRs are filed as required.

c. Records Required :

As part of our AML program, our Company will create STRs and CTRs and received from Depositories and Exchanges are properly maintained along with the and relevant documentation on identity and verification. We will maintain STRs and their accompanying documentation at-least for ten years.

8. MONITORING EMPLOYEE CONDUCT AND ACCOUNTS

We will subject employees' accounts to the same AML procedures as customers' accounts, under the supervision of the Principal Officer. We will also review the AML performance of the supervisors, as part of the annual Performance review. The Board of Directors will review the Principal Officer's accounts.

9. CUSTOMER ACCEPTANCE POLICY:

9.1 Policy for acceptance of clients:

Following safeguards are to be followed while accepting the clients.

- a) No account is opened in a fictitious / benami name or on an anonymous basis.
- b) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of



business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.

c) Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.

d) Ensure that an account is not opened where NBSL is unable to apply appropriate CDD measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to NBSL is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. NBSL shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. NBSL shall be cautious to ensure that we do not return securities of money that may be from suspicious trades. However, NBSL shall consult the relevant authorities in determining what action it shall be taken when it suspects suspicious trading.

e) The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with NBSL, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.

f) 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.

g) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

9.2 Risk-based Approach:

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, NBSL shall apply each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that NBSL 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 NBSL shall obtain necessarily depend on the risk category of a particular client.

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.

9.3 Risk Assessment

NBSL 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 the URL

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.

Classification of Clients-

Clients are categorized on various grounds like client's location (registered office address, correspondence addresses and other address if any applicable, nature of business activity, trading turnover etc and manner of making payment for transactions undertaken. Broadly speaking clients can be specified in following three categories.

Low risk clients:

Low risk client includes clients who satisfy following criteria:

- Resident of India
- Provides any document on demand without any delay
- Provides income proof
- Provided reference
- No delegation of authority for operation of account
- Always provide securities and funds in time
- No cheque bounces
- Places order within reasonable period of time



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

- Medium risk client includes those clients who doesn't honor their commitments in time.

High risk client: Who takes excessive positions and makes delay in payment. It includes all clients mentioned under Special category of clients as defined in this Policy and any client against whom any order is passed by regulatory authorities or any investigation is launched which is pending. Any client against whom any regulatory order is passed for accessing market then such client will automatically be black listed and no further trading should be done for those accounts.

- 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.

Clients of special category (CSC)

- 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) 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 this policy 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 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. While dealing with clients in high risk countries where the existence/effectiveness of money laundering control is suspect, NBSL shall 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**), also independently access and consider other publicly available information along with any other information which they may have access to.
- h) This 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.

- i) Non face to face clients
 - j) Clients with dubious reputation as per public information available etc.
- The above mentioned list is only illustrative and the NBSL shall exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.

10. Client identification procedure (CIP):

The KYC policy shall clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the client relationship, while carrying out transactions for the client or when NBSL has doubts regarding the veracity or the adequacy of previously obtained client identification data. NBSL shall be in compliance with the following requirements while putting in place a Client Identification Procedure (CIP):

- a) NBSL shall proactively put in place appropriate risk management systems to determine whether its existing 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 above shall also be applicable where the beneficial owner of a client is a PEP.
- b) Senior management approval would be obtained 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, NBSL shall obtain approval from ED/Director to continue the business relationship.
- c) NBSL shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
- d) The client shall be identified by NBSL by using reliable sources including documents / information. NBSL shall 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 NBSL 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 (Principal Officer) within NBSL

10.1. 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 NBSL shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the



established practices. Further, NBSL 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 NBSL is aware of the clients on whose behalf it is dealing.

10.2. NBSL 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 NBSL to determine the true identity of its clients.

10.3. It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to NBSL 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 NBSL. This shall be strictly implemented by NBSL.

11. CONFIDENTIAL REPORTING OF AML NON-COMPLIANCE

Employees will report any violations of the firm's AML Compliance program to the Principal Officer, unless the violations implicate the Principal Officer in which case the employee shall report to the Chairman of the Board. Such Reports will be confidential, and the employee will suffer no retaliation for making them.

12. EMPLOYEE HIRING/EMPLOYEE TRAINING PROGRAMS/ INVESTOR EDUCATION PROGRAMMES

Hiring of Employees:

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

Employees' Training:

We will develop ongoing employee training and Investor education programs under the leadership of the Principal Officer. The programs will be conducted at least once in a year. It will be based on our Company, our customer base, and our resources.

Our training will include as to a minimum of

- How to identify suspicious transactions and signs of money laundering that arise during the course of employees duties;
- As what to do once the risk is identified;



- As to employee's roles are in the Company's compliance efforts and how to Perform them;
- The Company's record retention policy; and
- The disciplinary consequences (including civil and criminal penalties) for non-compliance with PML Act .

Periodic training programs are conducted to educate the employees about duties related to PMLA policies.

There will be Periodic review of our operations to see if certain employees, such as those in front office, back office, compliance, Risk Management, Deliveries/Margin, employees dealing with new clients and corporate security, require specialized additional training. Our written procedures will be updated to reflect any such changes.

Periodical branch/investor awareness programmes shall be conducted to, inter-alia, bring to the knowledge of the branch staff/ investors about the importance and need of PMLA guidelines

Investors Education:

Implementation of AML/CFT measures requires NBSL to demand certain information from investors which may be of personal nature or 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 arising of questions by the client with regard to the motive and purpose of collecting such information. There is, therefore, a need for NBSL to sensitize its clients about these requirements as the ones emanating from AML and CFT framework. NBSL shall educate the client of the objectives of the AML/CFT programmes during its branch meetings.

13. PROGRAM TO MONITOR AML PROGRAM

- a. AML Program will be monitored by the principal officer of the company.
- b. Evaluation and Reporting

After we have completed the monitoring, will report its findings to The Board of Directors. We will address each of the resulting recommendations.

14. BOARD OF DIRECTORS' APPROVAL

We have approved this AML program as reasonably designed to achieve and monitor our Company's ongoing compliance with the requirements of the PMLA.

This policy will be reviewed regularly on an annual basis to ensure their effectiveness and suitably modified if needed based on circulars and notifications issued by FIU / SEBI.

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