



Northeast Broking
Services Limited

PMLA POLICY & PROCEDURES

(Updated as per SEBI Master Circular SEBI/HO/MIRSD/TPD/P/CIR/2024/115 dated August 20, 2024 and Prevention of Money Laundering (Maintenance of Records) Amendment Rules, 2023 & 2024)

Applicability

Northeast Broking Services Limited (NBSL) is a SEBI Registered Intermediary (Broking/DP).

This Policy is prepared in compliance with the following regulations:

- The Prevention of Money Laundering Act, 2002 ("PMLA"), as amended up to 2024, and the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, as amended up to 2024
- Latest SEBI Master Circular on Anti-Money Laundering (AML) Standards and Combating Financing of Terrorism (CFT): **SEBI/HO/MIRSD/TPD/P/CIR/2024/115 dated August 20, 2024**, along with all supplementary circulars issued thereafter
- FATF (Financial Action Task Force) Recommendations updated as on 2024
- FIU-IND guidelines for suspicious transaction reporting and record maintenance

NBSL Policy

It is the policy of NBSL to **prohibit and actively prevent** money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities.

As per Section 3 of the PMLA, money laundering includes any direct or indirect attempt to knowingly assist or become a party to any process connected with the proceeds of crime, including concealment, possession, acquisition, use, projection, or claiming such proceeds as untainted property.

Written Anti-Money Laundering Procedures

1. NBSL has adopted these written procedures to implement the anti-money laundering provisions as mandated under the PMLA and SEBI Master Circular 2024. These procedures are structured to include, inter alia, the following four key components forming the overall Client Due Diligence (CDD) framework:

- i. Policy for Acceptance of Clients
- ii. Client Identification Procedures (CIP)
- iii. Risk Assessment & Risk-Based Categorization
- iv. Transaction Monitoring, Record Keeping, and Reporting of Suspicious Transactions (STRs/CTRs/NTRs)

Client Due Diligence (CDD)

The CDD measures at NBSL shall comprise the following:

- i. Obtaining Beneficial Ownership & Control Information
- ii. NBSL shall obtain sufficient, accurate, and up-to-date information in order to identify the natural persons who ultimately own or control the client account, in compliance with Rule 9 of the PML Rules and SEBI Master Circular dated August 20, 2024. Beneficial ownership thresholds shall be applied as prescribed (i.e., 10% for companies and partnerships, as per amended PMLA Rules, 2023–24).

ii. Verifying the client's identity

Using reliable, independent source documents, data, or information, including:

- PAN (mandatory)
- Aadhaar or other OVDs
- KYC records from KRA
- CKYC central database

iii. Identifying Beneficial Ownership and Control

For each category of client (individual, corporate, LLP, trust, partnership, HUF, etc.), NBSL shall obtain and verify beneficial ownership information as per below:

CORPORATE ACCOUNT REQUIREMENTS:

(Updated to include BO threshold reduction from 25% to 10%)

· Copy of latest shareholding pattern identifying all natural persons holding more than 10% ownership or exercising control through voting rights or management influence, duly certified (to be updated annually as per SEBI Master Circular 2024).

All other documentation remains unchanged (PAN copy, address proof, incorporation documents, board resolution, etc.)

iv. Beneficial Ownership Requirements

Explanation (Revised as per Prevention of Money Laundering (Maintenance of Records) Amendment Rules, 2023 and SEBI Master Circular dated August 20, 2024):

Controlling ownership interest shall be identified as follows:

- i. 10% or more of shares or capital or profits of a company
- ii. 10% or more of capital or profits of a partnership firm
- iii. 10% or more of property or capital or profits of an unincorporated association or body of individuals

Where no natural person is identified with the above thresholds, the individual exercising control through other means (voting rights, agreements, or other arrangements) shall be identified. If no such natural person exists, the senior managing official shall be treated as the beneficial owner.

v. Identification of Beneficial Ownership in Trusts

For clients that are trusts, NBSL shall identify and verify the identity of the settlor, trustee(s), protector (if applicable), and beneficiaries holding 10% or more interest in the trust, or any other natural person exercising ultimate effective control over the trust through ownership, voting rights, or control structure, in accordance with amended Rule 9(3) of the PMLA Rules (2023).

vi. Exemption for Listed Companies

Exemption (Updated): For clients or beneficial owners that are companies listed on a stock exchange in India and subject to regulatory disclosure requirements, or majority-owned subsidiaries of such companies, identification of individual beneficial owners is not required as per SEBI Master Circular 2024.

vii. Applicability to Foreign Investors

In case of Foreign Portfolio Investors (FPIs) and other foreign clients, NBSL shall comply with the SEBI Master Circular SEBI/HO/MIRSD/TPD/P/CIR/2024/115 and the PMLA Rules, 2023, identifying natural persons exercising beneficial ownership (10% threshold). Where no individual is identified, the senior managing official shall be treated as beneficial owner.

viii. Ongoing Due Diligence

NBSL shall conduct ongoing due diligence throughout the client relationship, ensuring that transactions are consistent with the client's financial profile and risk category. Enhanced due diligence shall be applied in case of suspicious patterns, adverse regulatory information, or material change in client circumstances. Verification shall be repeated and records updated as required.

NBSL shall periodically update KYC data as follows (as mandated by SEBI Master Circular 2024):

- High-risk clients – every 1 year
- Medium-risk clients – every 2 years
- Low-risk clients – every 3 years

Policy for Acceptance of Clients

i) No account is opened in fictitious / benami / anonymous names

NBSL strictly prohibits opening of any account in fictitious, benami, or anonymous names, in accordance with Section 12 of the PMLA and SEBI Master Circular SEBI/HO/MIRSD/TPD/P/CIR/2024/115.

Client on boarding is permitted only after complete KYC verification, beneficial ownership identification, sanctions list screening, and approval under the maker-checker process.

Verification Measures Implemented:

- Identity and Address Verification using OVDs (PAN, Aadhaar, Passport, etc.)
- Mandatory IPV (In-Person Verification), physical or through SEBI-approved digital KYC
- PAN validation through the Income Tax database
- Beneficial ownership identification at 10% threshold
- Sanctions screening against SEBI, FIU-IND, UN, FATF lists
- Account activation only after compliance department approval

ii) Risk-Based Client Categorization

NBSL shall classify clients into Low, Medium, and High Risk categories based on factors such as client location, nature of business activity, trading pattern, mode of payment, financial profile, and adverse regulatory information.

Risk categorization is dynamic and shall be reviewed periodically based on transaction monitoring results and changes in client profile.

High-risk clients include but are not limited to:

- Non-resident clients
- High-net-worth individuals
- Trusts, charities, NGOs receiving donations
- Politically Exposed Persons (PEPs)
- Clients from high-risk jurisdictions as per FATF & SEBI notifications
- Non face-to-face clients (without video KYC)

iii) Enhanced Due Diligence (EDD) for Clients of Special Category (CSC)

NBSL shall apply Enhanced Due Diligence (EDD) for Clients of Special Category (CSC), as mandated under SEBI Master Circular 2024 and Rule 9 of the PMLA Rules. CSC includes:

- a) Non-resident clients
- b) High-net-worth clients
- c) Trusts, charities, NGOs, organizations receiving donations
- d) Companies with complex shareholding or beneficiary structures
- e) Politically Exposed Persons (PEPs), their family members and close associates
- f) Clients located in or routing funds through high-risk jurisdictions
- g) Non face-to-face clients (without V-CIP or Video KYC)

Enhanced Due Diligence Measures Include:

- Senior management approval for onboarding
- Enhanced source of funds verification
- More frequent KYC updates
- Transaction monitoring with stricter thresholds
- Mandatory background checks

iv) Documentation Requirements

Documentation requirements for each client category (Corporate, LLP, Trust, HUF, Partnership, Individual) shall be followed as per SEBI Master Circular 2024 and CKYC norms.

All documents shall be obtained at onboarding and periodically updated based on risk category.

v) Refusal to Open or Continue Account

NBSL shall not open or continue any account where it is unable to conduct Customer Due Diligence (CDD) due to non-cooperation, suspected false information, or unreasonable refusal to provide documentation.

Such cases shall be escalated to the Principal Officer and may result in filing of an STR with FIU-IND.

vi) Client Acting on Behalf of Others

The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down...

NBSL shall clearly document and verify the authority under which a client acts on behalf of another person or entity.

- Power of Attorney documents must be verified
- Beneficial ownership must be identified
- Both principal and agent must be screened and approved

vii) Criminal Background Screening

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...

NBSL shall conduct screening against SEBI debarment lists, UN sanctions lists, and domestic criminal databases to ensure no account is opened for any banned or blacklisted individual or entity.

viii) Reassessment of CDD upon Suspicion

NBSL shall reverify and update the KYC and due diligence information of the client where:

- Suspicious transactions are observed
- There is adverse news or regulatory action
- Material change in ownership or control occurs
- Risk profile shifts due to trading behaviour

Client Identification Procedure (CIP)

4) Comprehensive Client Identification Procedures

NBSL has implemented comprehensive Client Identification Procedures (CIP) in line with SEBI and FIU-IND guidelines to ensure accurate verification of all clients at every stage of their relationship with the company.

NBSL has implemented robust Client Identification Procedures (CIP) in strict compliance with the SEBI Master Circular SEBI/HO/MIRSD/TPD/P/CIR/2024/115 and the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (as amended up to 2024). The CIP framework applies at the time of onboarding, during the course of the relationship, and upon any triggering event or material change in client information.

Client Identification shall be carried out at the following stages:

a) At the Time of Establishing Relationship

- Obtain and verify Officially Valid Documents (OVDs) such as PAN, Aadhaar, Passport, Driving Licence
- Conduct IPV (In-Person Verification) physically or via Video KYC as per SEBI norms
- Capture purpose and intended nature of relationship
- Identify and verify beneficial ownership (threshold of 10%)
- Screen against SEBI, FIU, UN, FATF, and domestic sanctions lists
- Ensure client is not a politically exposed person or from a high-risk jurisdiction without enhanced due diligence

b) During the Course of the Relationship

- Continuous monitoring of transactions to ensure they match client's known profile

- Identify deviations or unusual patterns
- Apply enhanced monitoring if client is categorized as high-risk

c) When There Is Doubt or Trigger Event

- If inconsistencies, suspicions, or material changes are observed, client identity shall be reverified
- Obtain updated KYC documents
- Update risk categorization

d) Ongoing Due Diligence and Periodic KYC Updates

As per SEBI Master Circular 2024, periodic KYC updates shall be conducted as follows:

- High-Risk Clients: Once every 1 year
- Medium-Risk Clients: Once every 2 years
- Low-Risk Clients: Once every 3 years

e) Record Maintenance and Review

- All documents, verification checks, and approvals are maintained securely for a minimum of 5 years after cessation of the relationship
- Records must be retrievable within 48 hours when requested by SEBI, FIU, or any competent authority

Politically Exposed Persons (PEPs) Identification

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

As per SEBI Master Circular 2024 and FATF recommendations, NBSL shall apply enhanced due diligence to Politically Exposed Persons (PEPs), their family members, and close associates. This includes both domestic and foreign PEPs.

Identification Measures for PEPs:

- Screen all clients and beneficial owners against PEP databases
- Conduct enhanced due diligence for clients identified as PEPs
- Verify source of funds and wealth
- Obtain senior management approval prior to onboarding
- Apply ongoing monitoring with heightened scrutiny

If an existing client is subsequently identified as a PEP:

NBSL shall immediately escalate the account to the Compliance Officer and obtain approval from the Board/Principal Officer to continue the business relationship.

No account shall be opened or continued for PEPs unless fully compliant with enhanced verification & source of wealth confirmation.

Risk Management

Risk-Based Approach

NBSL adopts a Risk-Based Approach (RBA) to Anti-Money Laundering, in accordance with the SEBI Master Circular SEBI/HO/MIRSD/TPD/P/CIR/2024/115 and FATF Recommendations. Every client is classified into a risk category (Low, Medium, or High) at the time of onboarding based on risk indicators such as client profile, geography, business activities, transaction patterns, and regulatory exposure.

Enhanced Due Diligence (EDD) is applied to:

- High-risk clients
- Politically Exposed Persons (PEPs)
- Clients from FATF-identified high-risk jurisdictions
- Clients with complex ownership structures or high-volume trading patterns

Simplified Due Diligence (SDD) may be applied only to clients explicitly permitted by SEBI (e.g., government entities with low AML risk).

Risk Categorization Criteria

Clients are categorized into three risk levels based on:

- Geographical location (domestic/foreign/high-risk jurisdiction)
- Nature of business (cash intensive, high leverage, layered structure)
- Trading volume and turnover
- Mode of funding (third-party transfers, pre-funded instruments, DDs)
- Adverse regulatory findings or negative media coverage

Risk Categories & Their Due Diligence Requirements:

Risk Category	Examples	Due Diligence Frequency
Low Risk	Salaried individuals, government entities	KYC update every 3 years
Medium Risk	Domestic companies with transparent ownership	KYC update every 2 years
High Risk	PEPs, NRIs, FPIs, Trusts, NGOs, clients from high-risk countries	KYC update every 1 year, Enhanced Due Diligence & Transaction Monitoring

Risk Assessment

As mandated under the 2024 SEBI Master Circular, NBSL shall conduct periodic AML Risk Assessments to evaluate and document inherent and residual ML/FT risks across clients, products, delivery channels, and geographies.

Risk Assessment Includes:

- Client Risk (ownership structure, financial strength, background)
- Product Risk (equity, derivatives, commodity, algos, off-market transfers)
- Geographical Risk (FATF grey/black listed countries, offshore jurisdictions)
- Delivery Channel Risk (online onboarding, intermediaries, APs)

The Risk Assessment Report shall be:

- Approved by the Board of Directors
- Reviewed annually or when regulatory changes occur
- Documented and available for inspection by SEBI, Exchanges, and FIU-IND

Sources for Risk Identification:

- FATF Public Statements
- SEBI and FIU-IND Notifications
- UN Security Council Resolutions
- Internal transaction monitoring reports

Monitoring of Transactions

8.1 Continuous Monitoring Framework

NBSL shall implement a robust system-based and manual monitoring mechanism to ensure continuous surveillance of client transactions. Monitoring intensity shall be proportional to the client's risk category, in line with **SEBI Master Circular SEBI/HO/MIRSD/TPD/P/CIR/2024/115**.

Objectives of Transaction Monitoring:

- Detect deviations from expected transaction behaviour
- Identify suspicious patterns indicative of money laundering or terrorist financing
- Escalate unusual activity to Compliance & Principal Officer for further verification

8.2 Timelines for Alert Review and Disposal

All alerts generated internally or received from the exchange shall be reviewed and disposed of within 7 working days of generation. In case of delay, the reasons shall be documented and approved by the Compliance Officer.

As per the SEBI Master Circular 2024, all alerts generated internally or received from Exchanges/Depositories must be reviewed and disposed of *within 30 calendar days* from the date of generation. In case of delays, reasons for delay must be recorded in writing and approved by the Principal Officer.

8.3 Surveillance System & Alert Generation

- NBSL shall utilize Trackwizz and internal back-office surveillance tools to generate automated alerts based on predefined parameters
- Alerts will be categorized by severity (High, Medium, Low) and routed for review accordingly
- Alerts will be recorded in an “Alert Register” with details including: Client ID, date, alert parameter, action taken

8.4 Parameters for Triggering Alerts

- Unusually large volumes inconsistent with client’s profile
- High-frequency trades indicating circular trading
- Multiple accounts with common ownership patterns
- Sudden surge in trading activity in dormant/inactive accounts
- Frequent use of pre-funded instruments or third-party transfers
- Off-market transfers without clear economic rationale

Suspicious Transaction Monitoring & Reporting

9.1 Identification and Escalation of Suspicious Transactions

NBSL shall establish structured processes to identify, escalate, review, and report suspicious transactions in accordance with the PML Act and FIU-IND guidelines.

9.2 Indicators of Suspicious Transactions (Illustrative List)

- Clients reluctant to provide complete KYC information
- Frequent fund transfers from unrelated third parties
- Transactions with no apparent economic rationale
- Large volume trades followed by immediate withdrawals
- Circular or reversal trades
- Use of multiple bank accounts with no clear source of funds

9.3 Internal Escalation Procedure

All suspicious alerts shall be escalated to the Principal Officer with findings.

If suspicion persists, a Suspicious Transaction Report (STR) must be filed with FIU-IND within 7 working days of determination of suspicion (as per Rule 7 of PMLA)

The 7-day timeline starts from the date when suspicion is established internally, not from the transaction date.

9.4 Reporting Obligations

- **STRs** – within 7 working days of confirmation
- **CTR (Cash Transaction Report)** – by the 15th day of the succeeding month
- **NTR (Non-Profit Organization Transaction Reports)** – by 15th of the succeeding month
- **FIU-IND Confidentiality** – tipping off is strictly prohibited

9.5 Attempted Transactions Clause

As per latest PMLA amendment, attempted but not executed transactions that exhibit suspicious characteristics must also be reported to FIU-IND.

Information to be Maintained,

As required under Rule 3 of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (as amended up to 2024), NBSL shall maintain and preserve the following information for every transaction, whether executed or attempted:

- i) Nature and type of the transaction
- ii) Amount and currency
- iii) Date of transaction
- iv) Parties involved – including client identifiers, UCC, demat account, bank account, etc.
- v) Mode of transaction – securities transfer, fund transfer, cheque, UPI, RTGS, etc.
- vi) Unique transaction reference number wherever applicable
- vii) Details of beneficial owner involved in the transaction

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 comply with the record-keeping requirements mandated under Section 12 of the PMLA, the PML Rules, 2005 (as amended), the SEBI Master Circular SEBI/HO/MIRSD/TPD/P/CIR/2024/115, and applicable Exchange guidelines.

11.1 Nature of Records to be Maintained

- Client KYC records (including BO declarations)
- Account opening forms and supporting documents
- Transaction records (Trade logs, Bank entries, Demat transfers)
- Suspicious Transaction Reports (STRs) and related analysis
- Records of alerts generated and their disposal
- Correspondence with clients regarding due diligence

11.2 Purpose

Records shall be maintained in a manner sufficient to permit reconstruction of individual transactions and provide evidence for regulatory or legal proceedings, including for prosecution of money laundering offenses.

Record Retention Requirements

NBSL shall retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail

As per amended Rule 3 and Rule 5 of the PMLA Rules and SEBI Master Circular 2024, the retention period is updated as follows:

Retention Timeline (Updated):

Record Type	Retention Period
Client Identification Data (KYC Forms, BO information, account files)	Minimum 5 years from the date of end of business relationship
Transaction Records	Minimum 10 years from the date of each transaction
STR/CTR/NTR Reports filed with FIU-IND	Minimum 10 years from the date of filing
Alerts & Surveillance Logs	Minimum 5 years
UAPA/UNSCR screening records	As long as account is active + 5 years post closure

(Updated as per PMLA Amendment 2023: Transaction records must now be retained for a minimum of ten (10) years).

12.1 Retrieval Requirements

- Records must be retrievable within 48 hours when requested by SEBI, FIU-IND, NSE/BSE, or law enforcement
- Electronic backup systems must be maintained in secured format

Procedure for Freezing of Funds & Assets (UAPA Compliance)

NBSL shall comply with Section 51A of the Unlawful Activities (Prevention) Act, 1967 and follow procedures outlined by the Ministry of Home Affairs, including amendments up to 2024.

13.1 Key Obligations

- Check all accounts against updated UNSC, UAPA, SEBI, and FIU-IND sanctions lists
- Immediate freezing of accounts if match is found
- Report to UAPA Nodal Officer within 24 hours
- STR to be filed with FIU-IND

Reporting to Financial Intelligence Unit – India (FIU-IND)

(Updated as per **Rule 7 & 8 of PML Rules, SEBI Master Circular 2024**)

Earlier version referenced SEBI/HO/MIRSD/2019... and general STR/CTR procedures.

Updated & Expanded Version (As mandated by FIU & SEBI 2024):

14.1 Statutory Reporting Obligations

NBSL, being a reporting entity under Section 12 of the PMLA, shall submit the following reports electronically through FINnet 2.0:

Report Type	Trigger	Reporting Timeline	Mandatory Filing
STR – Suspicious Transaction Report	Any suspicious transaction (cash or non-cash) or series of connected transactions	Within 7 working days of establishing suspicion	Mandatory even if no transaction value threshold

Report Type	Trigger	Reporting Timeline	Mandatory Filing
CTR – Cash Transaction Report	Cash deposits or withdrawals > ₹10 lakhs in one or multiple linked transactions	By 15th of succeeding month	Applicable (if any)
NTR – Non-Profit Organisation Transactions	Transactions involving NGOs/NPOs	By 15th of next month	Applicable
CBWTR – Cross Border Wire Transfer Reports	All cross-border fund movements ≥ ₹5 lakhs	Within 15 days	Applicable

No NIL Reporting required – If no reportable transactions exist, NBSL is not required to file NIL returns.

14.2 Reporting Format

Reports shall be filed strictly in the prescribed XML schema issued by FIU-IND under FINnet 2.0. Detailed SOPs are available at <https://fiuindia.gov.in>.

14.3 Confidentiality Protocol

- It is strictly prohibited to disclose (“tipping-off”) to any client or third party that a report has been filed or that their transactions are under surveillance.
- Violation may result in penalty and criminal liability under Section 13 of PMLA.

Designation of Key Officers

15.1 Principal Officer (Mandatory under PMLA Section 12)

The Principal Officer is responsible for:

- Monitoring transactions
- Identifying suspicious activity
- Filing reports to FIU-IND
- Acting as a single point of contact for regulatory authorities

Updated Requirement (2024):

- The Principal Officer must have **unrestricted access to transaction data, client records, and surveillance alerts**.
- Appointment must be **approved by the Board** and **reported to FIU-IND and SEBI within 7 days of any change**.

Current Principal Officer:

- *To be updated with present officer name, email, mobile, residential address (as per your instruction).*

15.2 Designated Director (Mandatory under Rule 2(ba) of PML Rules)

The Designated Director ensures overall compliance with PMLA obligations and may be held personally liable in case of failure.

- Must be a Whole-Time Director, Executive Director, or Managing Director.
- Details to be intimated to FIU-IND and SEBI immediately upon appointment or change.

Employee Screening & Hiring Procedures

(Aligned with SEBI Master Circular 2024 & PMLA)

Earlier text only stated general screening.

Revised & Expanded:

- NBSL shall conduct **mandatory background checks** including:
 - Past employment verification
 - Criminal record check through authorized agency
 - Verification of SEBI debarment lists and RBI wilful defaulter lists
- Employees involved in operations, compliance, onboarding, treasury, or IT must undergo AML/CFT Integrity Check.

No individual convicted of any financial crime or money laundering offense shall be hired or retained.

Employee Training & Awareness

Mandatory Annual Training as per SEBI 2024 Circular:

- Induction Training (on joining)
- **Annual Refresher Training** (for all dealing staff & compliance personnel)
- Training records must be maintained for minimum 5 years.

Training shall include:

- KYC norms and verification procedures
- Identification and reporting of suspicious transactions
- Use of surveillance systems such as Trackwizz/CDSL alert mechanisms
- Compliance with UNSC sanctions and UAPA freezing mandates

Investor Education & Awareness

(Updated as per SEBI Master Circular on AML/CFT – April 2024)

To ensure transparency and promote compliance culture, NBSL shall conduct continuous investor education initiatives to sensitize clients about:

- The **mandatory requirement of KYC, PAN-Aadhaar validation, and beneficial ownership disclosure**
- The need for **disclosing true source of funds**
- Risks associated with **money laundering and terror financing**
- The importance of **not allowing third-party transactions**
- Regulatory consequences of providing misleading or incomplete information

Modes of Investor Education:

- Information on account opening forms and website
- Emailers and SMS alerts
- Webinars and investor awareness sessions
- Mandatory disclosure statements during account activation

NBSL shall maintain records of all investor education initiatives for at least 5 years.

Risk Management Framework

(Aligned with latest SEBI Master Circular 2024 – Risk-Based Approach)

19.1 Risk Categorization of Clients

Clients shall be classified into risk categories (**Low / Medium / High**) based on the following parameters:

Risk Parameter	Low Risk	Medium Risk	High Risk (CSC)
Client Type	Salaried Individuals	Business Owners	Trusts, NGOs, Foreign Nationals
Geography	Domestic – Low Risk	Tier 2 & 3 Locations	FATF/UN Sanctioned Countries
Trading Volume	Low turnover	Moderate turnover	High Frequency / Large Value
Mode of Funding	Own Bank Account	Multiple Linked Accounts	Third-party or Offshore Sources

Clients of Special Category (CSC) must always be considered high risk and subjected to **Enhanced Due Diligence (EDD)**.

19.2 Enhanced Due Diligence (EDD) Measures

For high-risk clients, including PEPs, NRIs, and entities with complex ownership structures:

- Obtain **additional documents** (last 6 months bank statements, source of funds declaration)
- **Senior management approval** before onboarding
- **Quarterly KYC review** instead of annual/bi-annual
- **Ongoing transaction monitoring** with real-time alerts

19.3 Risk Reassessment

- Risk categorization is not static.
- If transactional behavior deviates from the profile, **client risk level shall be immediately reviewed and upgraded.**

Internal Controls & Audit

- Internal Audit must **verify AML/CFT implementation at least once every financial year.**
- The audit report must specifically cover:
 - Accuracy of KYC records

- Alert handling & STR/CTR reporting
- Employee training compliance
- Verification of beneficial owner records
- Any deficiency must be reported to the Designated Director & Board immediately.
- Follow-up action on deficiencies must be documented with timelines.

The person conducting AML policy review must be independent and not involved in framing or implementing the policy.

Board Oversight & Policy Review

(Complying with SEBI/HO/MIRSD/P/CIR/2023)

- AML Policy must be **approved by the Board of Directors annually**.
- Policy must also be **updated immediately** upon:
 - New SEBI Circular
 - Revised PMLA Rule
 - FIU India guideline
 - UNSC Sanctions Update
- A **quarterly report** on AML compliance, alerts monitoring, STR filings, and risk assessment findings must be submitted to the Board.

Board Oversight & Policy Review (Updated as per SEBI/HO/MIRSD/P/CIR/2023 & 2024 Master Circular)

The AML Policy shall be **approved by the Board of Directors at least once every financial year** and shall also be **immediately updated** whenever any of the following events occur:

- Issuance of new SEBI circulars, guidelines, or directives
- Amendments to the Prevention of Money Laundering Act (PMLA) or Rules
- New reporting obligations issued by FIU-IND or FINnet 2.0
- Updates to United Nations Security Council (UNSC) sanctions lists
- Introduction of new regulatory obligations by Exchanges, Depositories, or Government Agencies

Mandatory Quarterly Board Reporting

The Principal Officer shall **submit a quarterly AML Compliance Report to the Board**, which shall include:

- Number of surveillance and transaction alerts generated during the quarter
- Alerts pending beyond 7 working days with reasons for delay
- Details of Suspicious Transaction Reports (STRs) filed with FIU-IND
- Status of high-risk and PEP client monitoring
- Review of Beneficial Ownership identification and screening
- Risk assessment findings, including any change in client risk ratings
- Summary of actions taken on regulatory circulars and compliance enhancements

Board-Level Certification

As mandated by SEBI, the Designated Director and the Board shall issue an annual certificate confirming:

“The Company has complied with the obligations under PMLA, implemented an effective Anti-Money Laundering (AML) and Countering Financing of Terrorism (CFT) framework, and reported suspicious transactions in accordance with FIU-IND requirements.”

This certification shall be filed with the Stock Exchanges or Depositories as applicable.

Enterprise-Wide Risk Assessment (EWRA)

In accordance with SEBI Master Circular 2024:

- The Company shall conduct a **formal Money Laundering and Terrorist Financing Risk Assessment at least annually**.
- The assessment shall cover client profiles, product risk, geography risk, delivery channels, and technological exposure.
- The Risk Assessment Report shall be **placed before the Board** and **form part of this policy as an annexure**.

The Board shall ensure that appropriate corrective and preventive measures are implemented based on the outcome of such risk assessments.