

# ANTI MONEY LAUNDERING POLICY

## JV Capital Services P Ltd – STOCK BROKER & Depository Participants

2014

### FOR INTERNAL USE ONLY

This is a confidential and proprietary document of JV Capital Services P Ltd. – Stock Brokers and DP. Any unauthorized use or copying of this document is prohibited. Permission of the Principal Officer must be obtained before taking copies or circulating this document.

#### 1. Background

1.1. Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, SEBI had issued the Guidelines on Anti Money Laundering Standards vide their notification No.ISD/CIR/RR/AML/1/06 dated 18<sup>th</sup> January 2006, vide letter No.ISD/CIR/RR/AML/2/06 dated 20<sup>th</sup> March 2006 and vide Circular number CIR/MIRSD/1/2014 dated March 12<sup>th</sup>, 2014 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI.

#### 2. What is Money Laundering?

2.1 Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/origins.

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

#### 3. Prevention of Money Laundering Act, 2002

3.1. Prevention of Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July 1, 2005.

3.2. The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including stock brokers and sub-brokers) to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU) - INDIA

#### 4. Financial Intelligence Unit (FIU) – INDIA

4.1. The Government of India set up Financial Intelligence Unit-India (FIU-IND) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

4.2. FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

#### 5. Policy of **JV Capital Services P Ltd**

5.1. JV Capital Services P Ltd has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a framework to report cash and suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002. This policy is applicable to JV Capital Services P Ltd Employees.

#### 6. Objective of these Guidelines

6.1. The purpose of this document is to guide all the employees of JV Capital Services P Ltd and employees of its associates on the steps that they are required to take and implement to prevent and identify any money laundering or terrorist financing activities. It shall be the responsibility of each of the concerned employees that they should be able to satisfy themselves that the measures taken by them are adequate, appropriate and follow the spirit of these measures and the requirements as enshrined in the “Prevention of Money Laundering Act, 2002”.

6.2. Some of these suggested measures may not be applicable to every circumstance or to each department, Branch / Sub-broker. However, each entity should consider carefully the specific nature of its business, type of customer and transaction to satisfy itself that the measures taken by the employees are adequate and appropriate to follow the spirit of these guidelines.

#### 7. Implementation of this Policy

7.1. Mr. **Bijaya Kumar Swain, Accounts Head – Retail Broking will be the Principal Officer** who will be responsible for

- Compliance of the provisions of the PMLA and AML Guidelines
- Act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions
- Ensure that JV Capital Services P Ltd discharges its legal obligation to report suspicious transactions to the concerned authorities.

7.2. The main aspect of this policy is the Customer Due Diligence Process which means:

- Obtaining sufficient information about to the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted.
- Verify the customer's identity using reliable, independent source document, data or information.
- Conduct on-going due diligence and scrutiny of the account/client to ensure that the transaction conducted are consistent with the client's background/financial status, its activities and risk profile.

7.3. The Customer Due Diligence Process includes three specific parameters :

- Policy for Acceptance of Clients
- Client Identification Procedure
- Suspicious Transactions identification & reporting

## 8. Customer Acceptance Policy

8.1.

- *Each client should be met in person:* Accept client whom we are able to meet personally. Either the client should visit the office/branch or concerned official may visit the client at his residence / office address to get the necessary documents filled in and signed. Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client.
- *Accepts clients on whom we are able to apply appropriate KYC procedures:* Obtain complete information from the client. It should be ensured that the initial forms taken by the clients are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. Ensure that the 'Know Your Client' guidelines are followed without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges

- are obtained and verified.
- *Do not accept clients with identity matching persons known to have criminal background:* Check whether the client's identify matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory agency worldwide.
- *Be careful while accepting Clients of Special category:* We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed share holding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange, etc.) or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc). Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category
- *Guidelines on Identification of Beneficial Ownership:* For non-individual customers as part of the due diligence measures sufficient information must be obtained in order to identify persons who beneficially own or control 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 should be identified and verified using client identification and verification procedures as early as possible. 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(s) is/are being conducted. It includes persons who exercise ultimate effective control over a legal person or arrangement.
- *Do not accept client registration forms which are suspected to be fictitious:* Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.
- *Do not compromise on submission of mandatory information/ documents:* Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.

## 8.2. Customer Identification Procedure (FOR NEW CLIENTS)

*Objective:* To have a mechanism in place to establish identity of the client along with firm proof of address to prevent opening of any account which is fictitious / benami / anonymous in nature.

### 8.2.1. Documents which can be relied upon:

- PAN Card: PAN card is mandatory and is most reliable document as only one card is issued to an individual and we can independently check its genuineness through IT website.
- IDENTITY Proof: PAN Card itself can serve as proof of identity. However, in case PAN card carries an old photograph of the holder, which does not match current facial features of the client, we should take other identity proof in form of Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card.
- ADDRESS Proof: For valid address proof we can rely on Voter's Identity Card, Passport, Bank Statement, Aadhaar Letter, Ration card and latest

Electricity/telephone bill in the name of the client.

8.2.2. Documents to be obtained as part of customer identification procedure for new clients:

*a. In case of individuals, one copy of the following documents have to be obtained :*

- As PAN is mandatory, verify its genuineness with IT website and cross verify the PAN card copy with the original. Please put “verified with original” stamp as proof of verification.
- Other proofs for identity are Voter’s Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card or any other document prescribed by the regulatory authorities.
- Address proof in the form of Voter’s Identity Card, Passport, Bank Statement, Ration card and latest Electricity/telephone bill in the name of the client or any other document prescribed by the regulatory authorities.

*b. In case of corporates, one certified copy of the following documents must be obtained:*

- Copy of the Registration/Incorporation Certificate
- Copy of the Memorandum & Articles of the Association
- Copy of the PAN card and the Director Index No. (DIN)
- Copy of the latest audited Annual Statements of the corporate client
- Latest Net worth Certificate
- Latest Income Tax return filed.
- Board Resolution for appointment of the Authorized Person who will operate the account.
- Proof of address and identity of Authorized Person

*c. In case of partnership firm one certified copy of the following must be obtained:*

- Registration certificate
- Partnership Deed
- PAN card of partners
- Authorization letter for the person authorized to open and operate the account
- Proof of identity and address of the authorized person.
- Annual statement/returns of the partnership firm

*d. In case of a Trust, one certified copy of the following must be obtained:*

- Registration certificate
- Trust Deed
- PAN card
- Authorization letter for the entity authorized to act on their behalf
- Officially valid documents like PAN card, voters ID, passport, etc of person(s) authorized to transact on behalf of the Trust.

*e. In case of unincorporated association or a body of individuals, one certified copy of the following must be obtained:*

- Resolution of the managing body of such association or body of individuals
- PoA in favour of person authorized to transact
- Officially valid documents like PAN card, voters ID, passport, etc of the person(s) authorized to transact
- Any document required by JV Capital Services P Ltd to establish the legal existence of such an association or body of individuals.

*f. In case of an NRI account - Repatriable/non-repatriable, the following documents are required:*

- Copy of the PIS permission issued by the bank
- Copy of the passport
- Copy of PAN card
- Proof of overseas address and Indian address
- Copy of the bank statement
- Copy of the demat statement
- If the account is handled through a mandate holder, copy of the valid PoA/mandate

### 8.3. General Guidelines

- Always check original documents before accepting the copies
- Obtain the latest photograph of account holder/ authorized person(s)
- Check for latest IT return of the client/ Net worth Certificate for ascertaining the financial status of the client to know the client suitability of the product being sold to the client
- Review the above details on-going basis to ensure that the transactions being conducted are consistent with our knowledge of customers, its business and risk profile, taking into account, where necessary, the customer's source of funds.
- Scrutinize the forms submitted by the client thoroughly and cross check the details with various documents obtained like source of income. If required, ask for any additional details like salary slips, etc. to satisfy yourself whenever there is a doubt.
- For scrutiny / background check of the clients, websites such as [www.watchoutinvestors.com](http://www.watchoutinvestors.com) should be referred. Also, Prosecution Database / List of Vanishing Companies available on [www.sebi.gov.in](http://www.sebi.gov.in) and RBI Defaulters Database available on [www.cibil.com](http://www.cibil.com) can be checked.
- Keep watch on the welcome kits returned with reason - undelivered. Business Head should be alerted, client be contacted immediately on telephone and the trading, if suspected, should be suspended
- Employee of JVCS Group should not preferably sign as witness on the CRF
- If Employee of JVCS Group introduces the client, exact relation of the client with such employee should be documented.

### 8.4. For all Existing clients

8.4.1. On an on-going basis, the branches should ensure that the details given in the KYC, by the client, matches with the current details of the client. If required, we can seek additional documents/information from the client to verify the financial/general status of the client.

#### 8.4.2. In cases where:

- There is any material negative change in the financial details of the client from what is given in the KYC.

- If the client is not contactable/traceable or contracts notes/ communications sent are received back undelivered.
- In case the client is prohibited by any regulatory authority.
- The client refuses to provide additional information/document asked for.
- There is a material change in the mandate holder profile/details

Branches should immediately bring the same to the notice of the Business Head. The Business Head will, in turn, discuss the same with the Principal Officer to decide on the necessary course of action, including reporting to FIU, New Delhi.

## 9. Risk Profiling of the Client

9.1. We should accept the clients 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. For this purpose, we need to classify the clients as Low risk, medium risk and high risk clients. By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high risk client we have to apply higher degree of due diligence. The factors of risk perception depend on client's location, nature of business activity, turnover, nature of transaction, manner of payment etc.

9.2. In order to achieve this objective, all clients of the branch should be classified in the following category :

- Category A – Low Risk
- Category B – Medium Risk
- Category C – High risk

9.2.1. Category A clients are those pose low or nil risk. They are good corporate/HNIs who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares.

9.2.2. Category B clients are those who are intra-day clients or speculative clients. These are the clients who maintain running account with JVCS.

9.2.3. Category C clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc.

9.3. We have to be careful while monitoring the transactions of B and C category clients.

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

9.5. Any change in the risk profile of the client/mandate holder, has to be ascertained by the concerned branch officials, and reported to the Business Head immediately.

### 9.6. Mandate Holder Policy

9.6.1. The primary objective of this policy is to ensure that we are aware as to who is the ultimate beneficiary of the transaction and that the transactions executed, through the mandate holder are bonafide.

9.6.2. It is possible that some of the individual clients might appoint a mandate

holder. Normally the trading account is opened in the name of various family members and one the family member will hold the mandate. Also, in case of some NRI clients who are based abroad, there may be on a PoA/Mandate in favour of a person residing in India

- 9.6.3. Whenever any account is operated by a mandate holder, find out the relationship of the mandate holder with the client, followed by establishing the identity of the mandate holders by obtaining proof of identity and address.
- 9.6.4. Do not accept any payment from the account of mandate holder in favour of the client. All the payments have to be received from the client's bank account only for which the PoA holder may or may not have the mandate to operate the bank account. Similarly pay-out cheques should be issued only in the name of the client and not in the name of the mandate holder.
- 9.6.5. In case there is suspicion on the relationship between the mandate holder and the actual client or in case behavior of the mandate holder is suspicious, do take necessary advice from the Business Head.

## 10. Roles

### 10.1. Relationship Manager/ Dealer/ Branch Manager/ Branch Coordinator/ Business Head

- The RM/ Dealer/ BM/ Coordinator should meet the client in person at least once before opening the account at the address given by the client. In the process he may reasonably verify the living standards, source of income, financial status, etc. of the client and ensure that the details mentioned in the CRF (Client Registration Form) matches with the actual status.
- If the client is a 'walk-in client', then the concerned branch official should make independent verification about the background, identity and financial worthiness of the client.
- All mandatory proofs of identity, address and financial status of the client must be collected as prescribed by the regulatory authorities, from time to time. The proofs so collected should be verified with the originals. If the prospective client is refusing to provide any information do not forward his/ her account opening form to HO.
- IN PERSON VERIFICATION can do by SUB BROKER for SUB BROKER Clients.
- The Business Head has to be completely satisfied about the background, genuineness and financial status of the client before recommending for opening the account. If required, the Business Head may seek additional information/documents from the client.
- If the account is to be handled by a PoA /mandate holder, then find out what is the relationship between the client and the PoA/Mandate holder, establish the identity and background of the client and the PoA/Mandate holder (by obtaining the required documents) and ensure that the PoA/Mandate Holder has the proper authorization.
- In case of a corporate account, the branch officials should ensure that the authorized person has got the required mandate by way of Board Resolution. Also, the identity and background of the authorized person has to be established by obtaining the required documents.
- Foreign clients can deal in Indian market only to sell the shares allotted through ESOP or buy/sell as a 'foreign direct investment'. We cannot deal for foreign clients under any other circumstances.
- Please consult the Zonal/ Country Business Head before dealing with any NRE, NRO, PIO or foreign clients.



## 10.2. Risk Management Team

Risk Management Team (RMT) gives exposure to clients based on margin available in the system and clean exposure to selected clients based on recommendations of the Business Managers. It is also the duty of RMT to validate such exposures with the financial details provided by the client in KYC forms. Where there is a trading activity of the client, which is not commensurate with the financial details declared by the client, it should be analyzed and referred to the Principal Officer with reasons of suspicion.

### Monitoring Of Transactions

- Scrutinize unusually large transactions like, clients having traded in scrip/shares of a company for a quantity of 20,000 or more in a single day and volume in that scrip of that client is 25% or more of the total volume in that scrip of the Exchange.
- Check trade log for indication of negotiated trades (if any)
- Check for any relation of the client with the company / directors / promoters.
- Check previous trading pattern of the clients in that particular scrip.
  
- Scrutinize bulk deal transactions by sample check. A 'bulk' deal constitutes transaction in a scrip (on each Exchange) where total quantity of shares bought/sold is more than 0.5% of the number of equity shares of the company listed on the Exchange
- Select randomly few clients and pick their few transactions and scrutinize to check whether they are of suspicious nature or not.
- If substantial increase in turnover in a dormant account is found, should be brought into the notice of the senior management. Review balances and trading in the dormant accounts. Be vigilant on the movement of credit balances of the dormant account.
- Analysis is carried out by RMT to identify clients with huge and regular losses and are still placing trades/orders. Identify the Sources of funds in such cases.
- Analysis be also carried out in respect of disproportionate profit/ loss booked by a client trading in "F&O" segment vis-à-vis the value of the contract in illiquid scrips/ derivatives
- Suspicious transactions to include 'transactions integrally connected' as well as 'transactions remotely connected or related'

### Parameters for analyzing the transactions:

- Analysis of top clients in terms of turnover

On a periodic basis identify top 200 clients on descending order of turnover and ascertain whether the same matches with the financial status of the client. Moreover, analyze whether there is commensurate fund movement, whether the payments are being made, in cheque and from the bank account(s) of the clients registered with JVCS etc. To the extent possible, obtain the latest Income Tax return of the client to ascertain the financial capacity of the client.

- Analysis of top client in terms of increase in turnover

On a periodic basis identify the top 100 clients, on descending order of increase in turnover over a threshold amount of Rupees One Crore. Then analyze whether the

same matches with the financial status of the client, whether there are commensurate funds movement, whether the payments are being made through cheque from the bank account(s) of the client, etc. To the extent possible, we need to obtain the latest Income Tax return of the client to ascertain the level of income of the client.

- Matched trades (where the buy and sell clients are with the same broker)

On a daily basis identify the matched trades (where the buy and sell orders are from same/different branches of JVCS in B1, B2 & group and penny stocks). Further analyze whether the client are indulging in any sort of manipulation like shifting of profits from one account to another, creating artificial volumes, circular trading, indulging in price manipulation, shifting the beneficial ownership of shares, etc.

- Analysis of trades in stocks less than Rs.10/- and beyond a specific quantity

On a daily basis analyze the trades done in penny stocks (stocks less than Rs.10/-). This will help us in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc.

- Client concentration in particular scrip or select scrips

On a periodic basis, ascertain whether any client is concentrating on any particular scrip, especially liquid and penny stocks. This will help in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc. or is having insider information.

- Analysis of trades in illiquid counter (illiquidity can be with reference to the average volume in the scrip over the last 3 months below a particular level)

A daily analysis of the client's volume with respect to the total traded volume at the exchange has to be done. (TTQ analysis). This will help in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc.

- Trades shifted from one client to another within the same broker

On a daily basis, analyze the details of trade shifted from one client to another, either during the market hours or after the market hours. This will help us in identifying whether the client is trying to hide his identity, indulging in profit/loss transfer, availing exposure while in debit balance, etc.

- Analysis of NRI/Foreign clients/institutional trades especially w.r.t. payment patterns

Undertake a periodic analysis of the trades executed by NRI/Foreign clients/institutional clients. It should be supplemented by analysis of the payment patterns, trading patterns, etc.

With respect to the institutions, analyze all the cancelled trades and DVP trades to see whether the institutional code is being misused. In such cases, also ascertain who the ultimate beneficiary of the trades.

- Analysis of client payments in DD, Pay order, cash etc.

Undertake a periodic analysis of all the payments received from client by way of DD/Pay order. This will help in ascertaining whether any client's DD/ Pay Orders have been purchased against "Cash" or might whether any client is making third party payments. The third party payments can relate to employees also.

➤ Pro trade analysis

Currently, JV Capital Services P Ltd does not undertake in pro-trade. Majority of the trades reflected in the pro-account are error trades or own investments. A monthly audit of the trades reflected in the pro account has to be done to ascertain the nature of such trade.

➤ Employees/Sub broker account trades

Need to analyze the trades undertaken in the employees or sub broker's own trading account. It is possible that the employees/sub brokers might be accepting cash from the clients and execute the trades in their account. Similarly, it is possible that the profit on trades of the clients being shifted to the employees/sub broker's accounts.

➤ Frequent change in client details like bank account, demat account, address, etc

A monthly analysis of changes in the client details has to be undertaken to identify the clients who are making frequent changes whether the client trying to hide or confuse his identity.

### 10.3. Role of Channel Partner Team

Monitoring Of Proprietary Transactions of Channel Partner:

- For scrutiny / back ground check of the Franchisee, websites such as [www.watchoutinvestors.com](http://www.watchoutinvestors.com) should be referred. Also, Prosecution Database / List of Vanishing Companies available on [www.sebi.gov.in](http://www.sebi.gov.in)
- Check for high volume in proprietary account of channel partner / Sub-broker and his/her relations.
- Scrutinize Demat account of channel partner / Sub Broker ( if DP account is with JV Capital Services P Ltd DP )
- List all off market transfers and if in doubt seek explanation from concerned Channel partner separately
- Check for third party funds ( cheques received from bank accounts other than mapped bank accounts and demand drafts / pay orders)

### 10.4. Role of Human Resource Department

- The Human Resource Department and other Department Heads involved in hiring new employees should have adequate screening procedure in place to ensure high standards in hiring new employees.
- Bona fides of employees are checked to ensure that the employees do not have any link with terrorist or other anti-social organizations.
- Not only Know Your Customer (KYC) policy but also "Know Your Employee" procedures should be in place.

### 10.5. Role of Regional Business Heads/Zonal Business Head /Branch Co-ordinator

- Being in the field, they have market intelligence about potential mischief makers which should be brought to the notice of CRD, Legal and RMT.

### 10.6. Role of Legal Cell

- KYC forms and other documents drafted should invariably have undertaking from the client that he is not indulging in or has not been associated with any money-laundering activity or terrorist activity and that he has not been convicted of any fraud/offence/ crime by any regulatory authority existing in the country.
- All disclosure documents should have notice to the client informing about company's right to obtain and disclose any information about the client to the competent authority as may be required.

#### 10.7. Role of Training Division

- Briefings to new employees at induction programs and rounds of small meetings and presentations at branch locations.
- Adequate training should be given to all the concerned employees to (a) ensure that the contents of the guidelines are understood and (b) develop awareness and vigilance to guard against money laundering and terrorist financing.
- As of now, JV Capital Services P Ltd's AML policy will be covered during the induction training given to given to all new recruits and also during the on-going compliance sessions at the regions.

#### 10.8. Role of Internal Audit

This Policy will be reviewed regularly by the Internal Audit Head for its effectiveness since the person reviewing the policy should be different from the person framing the policy.

### 11. Cash Transactions

All are requested not to accept cash from the clients whether against obligations or as margin for purchase of securities or otherwise. All payments shall be received from the clients strictly by account payee crossed cheques drawn in favour of JV Capital Services P Ltd. The same is also required as per SEBI circular no. SMD/ED/IR/3/23321 dated November 18, 1993 and SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003.

In case account payee cheques have been received from a bank account other than that captured in records the same can be accepted after ascertaining that the client is the first holder of the account. Relevant copies of the supporting documents should be sent to HO and details of such accounts should be captured in records.

Only in exceptional cases, bank draft/pay-order may be accepted from the client provided identity of remitter/purchaser written on the draft/pay-order matches with that of client else obtain a certificate from the issuing bank to verify the same.

All cash transactions are required to be reported on monthly basis to Mrs Namita Dhawan Director, also Designated Director by each branch/Sub-broker by 7<sup>th</sup> of the following month.

## 12. Suspicious Transactions

All are requested to analyze and furnish details of suspicious transactions, whether or not made in cash. It should be ensured that there is no undue delay in analysis and arriving at a conclusion.

12.1. What is a Suspicious Transaction: Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith -

- Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- Appears to be made in circumstance of unusual or unjustified complexity; or
- Appears to have no economic rationale or bona fide purpose

*Reasons for Suspicious:*

- Identity of client
  - False identification documents
  - Identification documents which could not be verified within reasonable time
  - Non-face to face client
  - Clients in high-risk jurisdiction
  - Doubt over the real beneficiary of the account
  - Accounts opened with names very close to other established business entities
  - Receipt back of well -come kit undelivered at the address given by the client
- Suspicious Background
  - Suspicious background or links with criminals
- Multiple Accounts
  - Large number of accounts having a common parameters such as common partners / directors / promoters / address/ email address / telephone numbers introducer or authorized signatory
  - Unexplained transfers between such multiple accounts.
- Activity In Accounts
  - Unusual activity compared to past transactions
  - Use of different accounts by client alternatively
  - Sudden activity in dormant accounts
- Activity inconsistent with what would be expected from declared business s
  - Account used for circular trading
- Nature Of Transactions

Unusual or unjustified complexity  
 No economic rationale or bonafied purpose Source of funds are doubtful  
 Appears to be case of insider trading  
 Purchases made on own account transferred to a third party through an off market transactions through DP account  
 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

12.2. What to Report

- The nature of the transactions
- The amount of the transaction and the currency in which it was denominated
- The date on which the transaction was conducted: and
- The parties to the transaction.
- The reason of suspicion.

12.3. When to Report

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

Report	Description	Due Date
CTR	All cash transactions of the value of more than Rs.10 Lakhs or its equivalent in foreign currency	15th day of the succeeding month

	All series of cash transactions integrally connected to each other which have been valued below Rs.10 Lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month	15th day of the succeeding month
CCR	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*	Not later than seven working days from the date of occurrence of such transaction*
STR	All suspicious transactions whether or not made in cash	Not later than seven working days on being satisfied that the transaction is suspicious*
NTR	Non Profit Organization Transaction Report	Not later than seven working days on being satisfied that the transaction is suspicious*

\* [Master Circular DBOD.AML.BC.No.2/ 14.01.001 / 2010 – 11 dated July 01, 2010](#)

\* [Notification No. 14/2010](#)

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

#### 12.4. Other Important Points

- Reasons for treating any transaction or a series of transactions as suspicious should be recorded. It should be ensured that there is no undue delay in arriving at such a conclusion.
- Utmost confidentiality should be maintained in submitting the information.
- The reports may be transmitted by email/speed/registered post/fax at the Head Office addressed to the Principal Officer.
- No restriction may be put on operations in the accounts where a Suspicious

- Transaction Report has been made.  
It should be ensured that there is no tipping off to the client at any level.

### 13. Formulate/Review/Training On The Internal Policy And Procedure To All Staff/Sub-Brokers

- This internal policy and procedure on “The Prevention of Money Laundering Act, 2002” should be brought to the notice of all employees by HRD through the Company’s intranet.
- All sub-brokers/ channel partners shall be intimated by the Fortune Service Team and update on the applicable provisions of The Prevention of Money Laundering Act, 2002 and the reporting mechanism by way of a circular.
- Staff training and implementing specific procedures for customer identification and retaining internal records of transactions.
- The Internal Policy should be placed before the Head and if any changes in the policy are warranted, the revised policy should be placed before the Head for review and approval

### 14. Record keeping requirements:

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

### 15. Designated Principal Officer

In case any further information /clarification is required in this regard, the ‘Principal Officer’ may be contacted.

Mr. Bijaya Kumar Swain,  
Accounts Manager  
JV Capital Services P Ltd  
805, Chiranjiv Tower  
Nehru Place, Delhi-110019  
Tel: 011-41654875  
Mob: 9350254292  
Email: [accounts@jvfinancial.com](mailto:accounts@jvfinancial.com)

### 16. Designated Director

In case you are not satisfied with information /clarification by ‘Principal Officer’ you may contacted to Designated Director.

Mrs Namita Dhawan.  
Director  
JV Capital Services P Ltd  
805, Chiranjiv Tower  
Nehru Place, Delhi-110019  
Tel: 011-41654864  
Mob: 9811012377  
Email: [namita@jvfinancial.com](mailto:namita@jvfinancial.com)