



Policy Framework and Procedure

Manual Of

Kredent Trading LLP

For

**Prevention of Money Laundering (PMLA) / Combating Financing of
Terrorism (CFT)**

BACKGROUND:

Money Laundering (ML) may be defined as cleansing of dirty money obtained from legitimate or illegitimate activities including drug trafficking, terrorism, organized crime, fraud and many other crimes with the objective of hiding its source and rendering it in legally usable form. It is any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources. The process of money laundering involves creating a web of financial transactions so as to hide the origin of and true nature of these funds.

Successful money laundering activity spawning yet more crime exists at a scale that can and does have a distorting and disruptive effect on economies, marketplaces, the integrity of jurisdictions, market forces, democracies etc. It is, in short, existing for one purpose only, to make crime and illegal activity worthwhile.

The General Assembly of United States adopted the political declaration and global program of action in 1990 in its worldwide drive against money laundering and also enjoined upon member states to adopt legislation and program against laundering on a national level.

To combat money-laundering activities, the Government of India enacted the Prevention of Money Laundering Act, 2002 (hereinafter referred to as the "Act") on January 17, 2003.

The basic objective of the Act is three fold, viz.:

- To prevent, combat and control money laundering
- To confiscate and seize the property obtained from the laundered money
- To deal with any other issue connected with money laundering in India

The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July, 2005. Necessary Notifications / Rules under the said Act have been published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance Government of India. The PMLA has been further amended vide notification dated March 6, 2009 and inter alia provides that violating the prohibitions on manipulative and deceptive devices, insider trading and substantial acquisition of securities or control as prescribed in Section 12 A read with Section 24 of the Securities and Exchange Board of India Act, 1992 (SEBI Act) will now be treated as a scheduled offence under Schedule B of the PMLA.

As per the provisions of the PMLA, every banking LLP, financial institution (which includes chit fund LLP, a co-operative bank, a housing finance institution and a non-banking financial LLP) and intermediary (which includes a stock-broker, sub-broker, depository participant, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under Section 12 of the SEBI Act) shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA.

Securities and Exchange Board of India (hereinafter referred to as SEBI) vide its Circular Ref No.: ISD/CIR/RR/AML/1/06 dated January 18, 2006 laid down broad guidelines on Anti Money Laundering Standards. As per the Circular, all the intermediaries registered with SEBI under Section 12 of the SEBI Act were advised to ensure that a proper policy framework on anti-money laundering measures was put in place. This was essentially in conformity with the Prevention of Money Laundering Act, 2002 and the Rules framed there under by SEBI.

In the light of Circulars issued by National Stock Exchange of India Ltd (hereinafter referred to as "NSE") and Circulars issued by Bombay Stock Exchange Ltd. (hereinafter referred to as "BSE"), Multi Commodity Exchange Ltd. (hereinafter referred to as "MCX"), and Communiqué issued by Central Depository Services Ltd. (hereinafter referred to as "CDSL") Circulars issued by National Securities Depository Ltd. (hereinafter referred to as "NSDL") in continuation to the new circular of Securities and Exchange Board of India (hereinafter referred to as "SEBI") bearing Circular No. SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2024/78 dated June 06, 2024 and ISD/AML/CIR-1/2009 dated September 01, 2009, and there are additional requirements to be fulfilled and clarifications with regard to existing requirements mentioned in the Master Circular on Anti Money Laundering (AML) issued vide SEBI circular no. ISD/AML/CIR-1/2008 dated December 19, 2008.

For the purpose of implementing the provisions of Prevention of Money Laundering Act and Guidelines issued there under, Kredent Trading LLP (hereinafter "KREDENT") have adopted a Policy framework on Anti Money Laundering and Combating Financing of Terrorism.

1. Group-wide AML/CFT Programme

Where the LLP forms part of a financial group, it shall implement group-wide Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) policies and procedures, including mechanisms for sharing Client Due Diligence (CDD) information, customer, account and transaction information for AML/CFT purposes, while ensuring appropriate safeguards for confidentiality and prevention of tipping-off.

2. Risk Assessment for New Products and Technologies

The LLP shall assess Money Laundering and Terrorist Financing (ML/TF) risks prior to introducing any new product, service, delivery channel or technology and shall implement appropriate risk-based controls to effectively manage and mitigate such risks.

3. Registration of Non-Profit Organisations (NPOs)

Where the client is a Non-Profit Organisation (NPO), the LLP shall ensure compliance with the applicable requirements relating to registration on the DARPAN Portal of NITI Aayog and maintain such records in accordance with the Prevention of Money Laundering Rules and applicable regulatory guidelines.

4. Client Due Diligence and Tipping-off

Where the LLP suspects that a transaction is related to money laundering or terrorist financing and reasonably believes that carrying out further Client Due Diligence (CDD) may result in tipping-off the client, the LLP shall refrain from pursuing further CDD and shall file a Suspicious Transaction Report (STR) with FIU-IND in accordance with the applicable regulatory requirements.

5. Sanctions Screening

The LLP shall maintain updated sanctions/designated lists and conduct periodic screening of clients and beneficial owners against the lists notified under the Unlawful Activities (Prevention) Act, 1967 (UAPA), the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful

Activities) Act, 2005 and the United Nations Security Council (UNSC) sanctions lists. Appropriate action shall be taken in accordance with applicable regulatory requirements in case of any match.

THE MONEY LAUNDERING PROCESS:

Money can be obtained illegally from various criminal activities like drug trafficking, terrorism, organized crime and fraud. As criminals attempt to conceal the true origin and ownership of the proceeds of their criminal activities and provide a legitimate cover for their source of income they usually follow three stages:

(A) PLACEMENT: This is where the criminal proceeds are first injected into the system. It is also the stage where those who are educated, briefed and alert to the process of money laundering, have the best chance of detecting what is happening and are thus best able to thwart and disrupt the process at the outset. At this stage, very often larger amounts of money are divided and distributed into smaller amounts to avoid suspicion and then paid into a series of bank accounts, arose to purchase securities, or life policies or other assets, sometimes many kinds of assets, all to achieve the prime purpose of being able to inject the tainted money or value into the legitimate mainstream financial/business system. Eg: A criminal having huge crime proceeds in form of cash, can deposit this cash in bank accounts maintained with different banks, in the name of his relatives, friends and associates, in small amounts.

(B) LAYERING: After the injection has taken place and the tainted money or value has entered and become mixed up in the main mass of money or value in the financial system, it is spun around different accounts, different names, different ownerships, plus different instruments and investments. All these movements are designed to disguise the origins of the money or value and thus confuse those who might be attempting to trace the money or value back to the root, criminal source. Facilitated by the birth of electronic funds transfer technology the fast movement of funds through multiple jurisdictions often with different laws, creates major problems for investigators of identification, access and ultimately achieving successful prosecutions.

(C) INTEGRATION: Placing the laundered proceeds back into the economy in such a way that they re-enter the financial system as apparently legitimate funds. Integration means the reinvestment of those funds in an apparently legitimate business so that no suspicion of its origin remains and to give the appearance of legitimizing the proceeds.

MONEY LAUNDERING IN INDIA:

With the growing financial sector, India is vulnerable to money laundering activities. Some common sources of illegal proceeds in India are narcotics trafficking, illegal trade in gems, smuggling, corruption and income tax evasion. Large portions of illegal proceeds are laundered through the alternative remittance system called "hawala". Under this system, individuals transfer of funds from one country to another or from one state to another, often without the actual movement of currency.

PREVENTION OF MONEY LAUNDERING ACT, 2002:

To combat money-laundering activities, the Government of India enacted the Prevention of Money Laundering Act, 2002 (hereinafter referred to as the "Act") on January 17, 2003.

Section 3 of the Prevention of Money Laundering Act, 2002 defines the offences or laundering. In

terms, of this section whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of an offence of money laundering.

The term proceeds of crime have been defined under Section 2(u) of the Act viz: “Any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property.”

The said section broadly states that if a person is involved in the process of projecting proceeds of crime as untainted property, then he shall be guilty of money laundering for indulging in the said process of the following three elements / activities:

Possession or ownership of the proceeds of crime or property acquired from proceeds of crime, which is being reflected as untainted property.

Transactions relating to proceeds of crime like converting its form.
Concealment of the original transaction and/or creating ghost transactions from concealing actual transactions. E.g. Possessing Benami Property, Unexplained cash credits, unexplained expenditure, bogus or fictitious accounts, unexplained investments.

FINANCIAL INTELLIGENCE UNIT (FIU) – INDIA

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

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.

APPLICABILITY:

The Prevention of Money Laundering Policy applies to KREDENT Broking Services LLP.

In terms of rules framed under the Act, inter alia, KREDENT shall:

- a) Maintain a record of all transactions, the nature and value of which may be prescribed, whether such transactions comprise of single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within a month.
- b) Furnish information of transactions referred to in Clause (a) to the Partner within such time as may be prescribed.
- c) Verify and maintain the records of the identity of all its Clients, in such a manner as may be prescribed

As per provision of section 2(n) of the Act, term “Intermediary” means: “A stock-broker, sub-broker,

share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992).

Further in terms of rules made under the Act, KREDENT shall maintain a record of:

- a) All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
- b) All series of cash transactions integrally connected to each other which have been valued below rupeeten lakhs or its equivalent in foreign currency where such series of transactions have taken place within one calendar month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreigncurrency;
- c) All cash transaction where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- d) All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non-monetary account such as Demat Account, security account maintained by the registered intermediary; identity and current address or addresses including permanent address or addresses of the Client, the nature of business of the Client and his financial status; Provided that where it is not possible to verify the identity of the Client at the time of opening an account or executing any transaction, the banking LLP, financial institution and intermediary, as the case may be, shall verify the identity of the Client within a reasonable time after the account has been opened or the transaction has been executed.

It may, however, be clarified that for the purpose of suspicious transactions reporting apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered.

"Suspicious transactions" means a transaction whether or not made in cash which to a person acting in goodfaith –

- a) gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime, or
- b) appears to be made in circumstances of unusual or unjustified complexity, or
- c) appears to have no economic rationale or bonafide purpose.

OBLIGATION TO ESTABLISH POLICIES AND PROCEDURES:

Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need for financial institutions, including securities market intermediaries, to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing. The PMLA is in line with these measures and mandates that KREDENT should ensure the fulfillment of all the statutory obligations.

To be in compliance with these obligations, the Senior Management of KREDENT shall be fully committed to establishing appropriate policies and procedures for the prevention of Money



Laundering (ML) and Terrorist

Financing (TF) and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. KREDENT shall:

- a) Issue a statement of policies and procedures, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements;
- b) Ensure that the content of these Directives are understood by all staff members;
- c) Regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the Compliance Officer shall review this policy regularly as framed by the Senior Management of KREDENT.
- d) Adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF;
- e) Undertake Client Due Diligence ("CDD") measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction;
- f) Have a system in place for identifying, monitoring and reporting suspected ML or TF transactions to the lawenforcement authorities;
- g) Develop staff members' awareness and vigilance to guard against ML and TF.

POLICIES AND PROCEDURES TO COMBAT ML SHALL COVER:

- a) Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc. whether in branches, departments or subsidiaries;
- b) Client acceptance policy and client due diligence measures, including requirements for proper identification;
- c) Maintenance of records;
- d) Compliance with relevant statutory and regulatory requirements;
- e) Co-operation with the relevant law enforcement authorities, including the timely disclosure of information;
- f) Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff, of their responsibilities in this regard. The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors.

ANTI MONEY LAUNDERING PROCEDURES:

KREDENT Broking Services LLP lays down written procedures to implement the anti-money laundering provisions as envisaged under the PMLA. Such procedure includes inter alia, the

following three specific parameters, which are related to the overall 'Client Due Diligence Process':

- a) Policy for acceptance of clients.
- b) Procedure for identifying the clients.
- c) Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR).

CLIENT DUE DILIGENCE:

The Client Due Diligence ("CDD") measures comprise the following:

a) Before registering client, obtain sufficient information in order to identify persons who beneficially own or control the account. Apart from obtaining information related to Client's identity, address, contact details etc., we shall also obtain details with respect to Shareholders, Promoters from the Institutional client and it shall be verified independently. In this process, we shall be able to find out who is authorized to operate the client's account and who is ultimately controlling the 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 using client identification and verification procedures. To identify the ultimate beneficial ownership or control the following steps should be taken:

i. For clients other than individuals or trusts: Where the client is a person other than an individual or trust, viz., LLP, partnership or unincorporated association/body of individuals, we shall identify the beneficial owners of the client. The "Beneficial Owner" is the natural person or persons 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. Controlling ownership interest means-

1. Controlling more than 10% of shares or capital or profits of the juridical person, where the juridical person is a LLP;
2. more than 10% of the capital or profits of the juridical person, where the juridical person is a partnership; or
3. 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.

In cases where there exists doubt 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 voting rights, agreement, arrangements or in any other manner.

Where no natural person is identified under the above measure, the identity of the relevant natural person who holds the position of senior managing official should consider.

ii. For client which is a trust: Where the client is a trust, we 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 LLP listed on a stock exchange, or is a majority-owned subsidiary of such a LLP, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

iv. Applicability for foreign investors: Dealing with foreign investors' may 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. As per SEBI guidelines to identify the beneficial owners, shareholding or beneficial interest equal to or above 25% to be consider.

b) Documents obtained from the Clients should be verified with original and same should be self-certified by the client and to be counter signed by the Verifying Official. Generally, Institutional Clients are recognized at global level. We shall verify client's identity and origin using services of Bloomberg, Reuters, internet services or any other reliable, independent source documents, data or information.

c) In person verification (the "IPV") shall be mandatory for all clients. Accounts shall be opened only for those persons whose in-person verification has been done as per the SEBI/Stock Exchange/Depository or other regulations in this regard. The client should visit the branch of KREDENT or the authorised official may visit the client at the residence/office to complete the in-per verification procedures.

d) Periodically conduct due diligence and scrutiny, i.e. perform ongoing scrutiny of the Clients transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with KREDENT's knowledge of the client, its business and risk profile, taking into account, where necessary, the customer's source of funds.

e) KREDENT shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

f) As a measure of due-diligence fresh KYC along with relevant documents will be taken from the clients as below:

- High risk client – 2 years
- Medium risk client – 8 years
- Low risk client – 10 years

POLICY FOR ACCEPTANCE OF CLIENTS:

KREDENT shall develop Client Acceptance Policies and Procedures that aim to identify the types of clients that are likely to pose a higher than average risk of ML or TF. By establishing such policies and procedures, KREDENT will be in a better position to apply client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction. In a nutshell, the following safeguards are to be followed while accepting the clients:

a) No Client account should be opened in a fictitious / benami name or on an anonymous basis.

b) Parameters of Risk perception of the client are defined in terms of:

1. Clients' location (registered office address, correspondence addresses and other addresses if applicable);
2. Nature of business activity, trading turnover etc. and
3. Manner of making payment for transactions undertaken to enable categorization of clients into low, medium and high risk. Clients of Special Category (as given below) may, if necessary, be classified as higher risk. For such clients, higher degree of due diligence and regular update of Know Your Client (KYC) profile should be performed.

c) Documentation like KYC, Rights and Obligations, Risk Disclosure Document and other information to be collected in respect of different classes of clients depending on perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives, Circulars and guidelines issued by SEBI / Exchanges/ Depositories from time to time. Refer to list of documents to be collected along with KYC, given below.

d) Ensure that a Client account is not opened where the concern officers of KREDENT is unable to apply appropriate clients due diligence measures / KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, information provided to KREDENT is suspected to be non-genuine, perceived non-co-operation of the client in providing full and complete information. KREDENT should not continue to do business with such a person and file a suspicious activity report. The concern officers of KREDENT should also evaluate whether there is suspicious trading in determining whether to freeze or close the account. KREDENT should be cautious to ensure that it does not return securities or money that may be from suspicious trades. However, necessary consultation should be made with the relevant authorities in determining what action it should take when it suspects suspicious trading.

e) The circumstances under which the client is permitted to act on behalf of another person / entity should be clearly laid down. It should be specified in what manner the account should 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 us, as well as the person on whose behalf the agent is acting) should be clearly laid down. Adequate verification of a person's authority to act on behalf the client should 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.

Before opening of clients' account, check should be done to verify whether the client's name matches with names in any of the following lists:

- SEBI Debarred List
 - UNSC
 - PEP
 - OFAC (Office of Foreign Access and Control given by US Treasury Dept.)
 - FATF
 - Watch out Investors- www.watchoutinvestors.com
 - such other list that may be specified by the Regulators/Compliance Department from time to time
- Follow the Client identification procedure given below.

g) The Dealing Officer(s) shall necessarily revisit the CDD process when there are suspicions of

MoneyLaundering or Financing of Terrorism.

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, KREDENT shall apply each of the Client Due Diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that KREDENT 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 KREDENT 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.

KREDENT 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 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.

CLIENT CATEGORIZATION:

Each client shall be marked into 3 Categories, namely High Risk, Medium Risk and Low Risk. The parameters of clients will be placed under Low, Medium and High Risk category based on the followings:

- a) Client's' location (Permanent address, Communications / correspondence addresses, Registered Office Address in case of Institutional client and other addresses if applicable);
- b) Nature of business activity, tracing turnover etc., and
- c) Manner of making payment for transactions undertaken.

Category – A: High Risk, should be classified as

Category – A - Clients doing large activity in Dormant Account, trading on a regular basis in illiquid scrips in large volume and quantity, those who have defaulted in the past and have suspicious background are to be considered as High Risk Clients.

The Exchange specifies a list of Illiquid Securities where higher due diligence is to be exercised by the Broker. The list is displayed in the official web-sites of the NSE and BSE for the information of

Client. The trade pattern in such scrips by the clients of KREDENT should be monitored. In case of trading in high volumes in any such illiquid scrips compared to Exchange Volume, the Client shall be asked to submit necessary clarification.

CLIENTS OF SPECIAL CATEGORY (CSC):

The below-mentioned categories of clients have been classified as Clients of Special Category and are considered to be High Risk Clients. The categories are as follows:

- a) Non resident clients;
- b) High networth 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 Client Identification Procedure of this policy document 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 (i.e., 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, intermediaries apart from being guided by the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations published by the FATF on its website (www.fatf-gafi.org), shall also independently access and consider other publicly available information;
- h) Non face to face clients;
- i) Clients with dubious reputation as per public information available etc.;
- j) Cash transactions involving counterfeit notes or currencies or any forgery of valuable securities or documents for enabling transactions.
- k) Illiterate and Blind;

The above-mentioned list is only illustrative and KREDENT shall exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.

Category – B: Medium Risk

Category – B - Intra-Day clients or speculative clients whose turnover is not in line with the financials declared are considered as Medium Risk clients.

Category – C: Low Risk

Category – C - Corporates / HNIs having respectable social and financial standing, Clients who make payment on time and take delivery of shares can be considered Low Risk Clients

CLIENT IDENTIFICATION PROCEDURE:

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 KREDENT has doubts regarding the veracity or the adequacy of previously obtained client identification data.

KREDENT shall be in compliance with the following requirements while putting in place a Client Identification Procedure (CIP):

a) KREDENT shall proactively put in place appropriate risk management systems to determine whether their 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 shall also be applicable where the beneficial owner of a client is PEP.

b) The Concern officers of KREDENT are required to obtain senior management approval 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, the Concern officers of KREDENT shall obtain senior management approval to continue the business relationship.

c) KREDENT 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 the Concern officers of KREDENT by using reliable sources including documents / information. The Concern officers of KREDENT 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 Client's identification should be clearly verified while registering the said client. The concern officers of LLP should verify the documents submitted by the Client with the originals and after satisfying with the details, the Dealing Officer of KREDENT should put the rubber stamp of Verified with originals and should be counter signed by the official who has verified the documents in original. The Dealing Officer of KREDENT should verify the PAN with the web-site of Income Tax Department, to check the name and the PAN given by the client. Preferably, the Dealing Officer of KREDENT should also speak to the client as well as the introducer over telephone number provided by the Client and Introducer, independently.

f) The information collected by the Concern officers of KREDENT must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the Concern officers in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.

g) In-Person verification of clients should be done by the authorised official of KREDENT only or as specified by the Regulators from time to time. The client should visit the branch of KREDENT or the authorised official may visit the client at the residence/office address provided by the client and complete the in-per verification.

h) For low risk clients, reliance shall be placed on a self-certified copy of the documents required to prove identity and address. For high-risk clients, as a measure to enhance the due diligence process, the copies of identification documents shall be attested by government gazetted officers or notarised by a public notary or by any other person who has opened an account with KREDENT Broking Services LLP after adhering to KYC norms

stipulated under this policy.

i) For high-risk clients, KREDENT Broking Services LLP may also obtain additional information to establish the customer's identity or a confirmatory certificate from a credit or financial institution subject to the PMLA directive.

j) The failure or refusal by prospective client falling under high-risk category to provide satisfactory identification evidence within 30 days of seeking information and/or without adequate explanation may lead to a suspicion that the investor is engaged in money laundering. The same shall be noted and reported by the Concern officers to the Principal Officer of KREDENT. In such circumstances, the Principal Officer may consider making a suspicious activity report.

k) In case of Non Resident clients, remittance only from authorized banking channels will be accepted.

l) Clients should not be activated to trade in derivative segment unless the clients submit a valid proof of financial information.

m) The Client Identification programme for existing clients should be carried out by the Compliance Department once in every six months by way of conducting In-Person Verification and collecting of various documents from the clients. The Concern officers should collect financial documents (Bank Statement / Demat Statement – Not more than 2 months old) as well as PAN Card and recent coloured passport sized photographs of the clients.

KNOW YOUR CLIENT (KYC) NORMS:

SEBI has prescribed the minimum requirements relating to KYC for certain classes of registered intermediaries 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, KREDENT shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices. Further, KREDENT 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 there under so that KREDENT is aware of the clients on whose behalf it is dealing.

KREDENT shall formulate and implement a CIP which shall incorporate the requirements of the PMLA 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 it considers appropriate to enable it to determine the true identity of its clients. PMLA Rules have recently been amended vide notification No. 13/2009 dated November 12, 2009 and need to be adhered to by KREDENT.

It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to KREDENT from obtaining the minimum information/documents from clients 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 KREDENT. KREDENT shall strictly implement this.

KREDENT shall adopt appropriate KYC procedures and internal controls measures to:

- (a) Determine and document the true identity of the customers who establish relationships, open accounts or conduct significant business transactions and obtain basic background information on customers;
- (b) Assess the money laundering risk posed by customers' expected use of LLP products and services;
- (c) Protect KREDENT from the risks of doing business with any individual or entity whose identity cannot be determined or who refuses to provide information, or who have provided information that contains significant inconsistencies which cannot be resolved after due investigation.

LIST OF DOCUMENTS TO BE COLLECTED ALONG WITH KYCS:

Individual, HUF and Minor:

- a) Recent Coloured Passport Sized Photograph of the client.
- b) Proof of residence (any two of Passport/ Driving License / Voters' ID Card / Ration Card/ Any other photo-id registration etc.).
- c) Photocopy of Photo PAN Card.
- d) Photocopy of Client Master Report / Holding Statement (not more than two months old)/ Transaction Statement (not more than two months old) for the Demat Account(s).
- e) Photocopy of recent Bank Statement (not more than two months old)/ Bank Pass Book or Letter from Banker along with the photocopy of the cheque leaf.

Corporate and Trust:

- a) Recent Coloured Passport Sized Photograph of at least two Directors or two Trustees.
- b) Proof of residence (any two of Passport/ Driving License / Voters' ID card / Ration Card / Any other photo-id registration etc.) of two Directors or two Trustees.
- c) Photocopy of PAN Card or I.T. Return acknowledgement or Declaration in Form 60 or Form 61 from the two Directors or two Trustees.
- d) Photocopy of Client Master Report / Holding Statement (not more than two months old) / Transaction Statement for the Demat Account(s) (not more than two months old) of KREDENT or Trust.
- e) Photocopy of recent Bank Statement (not more than two months old) / Bank Pass Book or Letter from Banker of KREDENT or Trust along with the photocopy of the cheque leaf.
- f) Board Resolution.
- g) Memorandum and Articles of Association / Trust Deed.
- h) Networth Certificate duly certified by Auditors.

i) Income Tax Return and Annual Reports for the last 3 Financial Years.

Note: Any one of the Directors or Trustees to sign on all the pages and also on their respective photograph.

RELIANCE ON THIRD PARTY FOR CARRYING OUT CLIENT DUE DILIGENCE (CDD)

Our organisation does not outsource any activities to a third party or 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 but KREDENT shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

However, SEBI has permitted the CDD to be done by Registered Sub-Broker or their employees. The person carrying out CDD must clearly affix the requisite Stamp with name, designation, date and sub broker stamp to enable clear identification.

The following steps must be ensured by the Concerned Officer:

- a) KYC download (wherever applicable);
- b) PAN Verification from IT site for Number and exact name;
- c) For scrutiny/background check of the clients, websites such as www.watchoutinvestors.com should be referred. Also, prosecution database /List of Vanishing Companies available on www.sebi.gov.in and RBI Defaulters Database available on www.cibil.com can be checked.

In case the client is already registered on KRA, we shall fetch client's data from KRA sites and compare the same current particulars and supporting documents submitted by the client. In case there is no discrepancy between the two, the data downloaded from KRA website may be considered for client identification purpose.

PERIODICAL REVIEW OF RISK CATEGORIZATION OF ACCOUNTS:

KREDENT shall put in place a system of periodical review of risk categorization of accounts. Such review of risk categorization of customers shall be carried out at a periodicity of not less than once in six months. KREDENT shall be undertaking a review of all accounts existing as on June 30th and December 31st every year, but which were opened at least six months prior to these two review dates – thus giving a vintage of at least six months to each of the accounts being reviewed.

In case of any account wherein alerts are observed on a regular basis, the risk categorization would be increased based on the consensus of the AML monitoring team and the compliance officer. Such a review would be done at least once every month.

Special attention is required for all complex, unusually large transactions / patterns which appear to have no economic purpose. The background including all documents, office records and clarifications pertaining to such transactions and their purpose will be examined carefully and findings will be recorded. Such findings, records and related documents would be made available to auditors and also to SEBI/Stock Exchanges/Depositories/FIU- IND/Other relevant authorities, during audit, inspection or as and when required. These records to be preserved for such period of time as required under PMLA 2002 or any rules made thereafter.

It would be ensured that record of transaction is preserved and maintained in terms of section 12 of the PMLA 2002 and / or rules made there under and that transaction of suspicious nature or any other transaction notified under section 12 of the act is reported to the appropriate law authority.

Further the accounts or financial assets shall be frozen for any particular client in case so required by any regulatory authority upon receiving a notice for the same.

RECORD KEEPING:

KREDENT 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/ Depositories Bye-laws and Circulars.

KREDENT 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 behavior.

Shall 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, KREDENT 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:
 - the origin of the funds;
 - the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
 - the identity of the person undertaking the transaction;
 - the destination of the funds;
 - the form of instruction and authority

KREDENT 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/ Depositories bye-laws or circulars.

KREDENT 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 rupees ten lakh or its equivalent in foreign currency;
- b) All series of cash transactions integrally connected to each other, which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;

- c) All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security or a document has taken place facilitating the transaction;
- d) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

MAINTAINING INFORMATION:

KREDENT would maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

- a) The nature of the transactions;
- b) The amount of the transaction and the currency in which it is denominated;
- c) The date on which the transaction was conducted; and
- d) The parties to the transaction.

The Compliance team on a concurrent basis should review the above information.

RETENTION OF RECORDS:

KREDENT shall take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of 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 KREDENT.

KREDENT shall 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 a client and KREDENT has ended or the account has been closed, whichever is later.

Thus, the following document retention terms shall be observed:

- a) All necessary records of 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 there under as well SEBI Act) and other legislations, Regulations or Exchange/ Depositories bye-laws or circulars.
- b) KREDENT shall maintain and preserve the record 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 KREDENT has ended or the account has been closed, whichever is later.
- c) KREDENT shall maintain and preserve the record of information related to transactions, wh

d) either attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, for a period of five years from the date of the transaction between the client and KREDENT.

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.

MONITORING OF TRANSACTIONS:

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

While determining suspicious transactions, KREDENT shall be guided by definition of suspicious transaction contained in the Rules as amended from time to time.

KREDENT shall pay special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose. KREDENT may specify internal threshold limits to ten times of clients networth 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/ Depositories / FIU-IND / 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 KREDENT as is required under the PMLA.

KREDENT shall ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transaction 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 Principal Officer / Designated Director / Compliance Officer of KREDENT.

Further, the compliance cell of KREDENT 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.

SUSPICIOUS TRANSACTION - MONITORING:

Suspicious transactions involve funds derived from illegal activities or is intended or conducted in order to hide or disguise funds or assets derived from illegal activities (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any law or regulation or to avoid any transaction reporting requirement under the law; The transaction has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the financial institution knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction.

It is difficult to define exactly what constitutes suspicious transactions and as such given below is a list of circumstances where transactions may be considered to be suspicious in nature. This list is only inclusive and not exhaustive. Whether a particular transaction is actually suspicious or not will depend on the background, details of the transactions and other facts and circumstances.

- a) Complex /unusually large transactions/ patterns which appear to have no economic purpose.
- b) Client having suspicious background or links with known criminals.
- c) Clients whose identity verification seems difficult.
 - (i) False identification documents.
 - (ii) Identification documents which could not be verified within reasonable time.
 - (iii) Non face-to-face Client.
 - (iv) Doubt over the real beneficiary of the account
 - (v) Accounts opened with names very close to other established business entities
- d) Client appears not to co-operate.
- e) Clients based in high risk jurisdictions;
- f) Use of different accounts by Client alternatively.
- g) Sudden activity in dormant accounts.
- h) Multiple accounts:
 - (i) Large number of account having a common account holder, authorized signatory with no rationale.
 - (ii) Unexplained transfers between multiple accounts with no rationale
- i) Asset management services for clients where the sources of funds is not clear or not in keeping with the clients' apparent standing/business activity.
- j) Substantial increase in business without apparent cause (Unusual activity compared to past transactions).
- k) Clients transferring large sums of money to or from overseas locations with instructions for payment incash;
- l) Activity materially inconsistent with what would be expected from declared business.
- m) Inconsistency with clients' apparent financial standing.
- n) Any account used for circular trading.
- o) Unusual transactions by Clients of Special Category (CSCs) and business undertaken by shell corporations, offshore banks/financial services and businesses reported to be in the nature of export-import of small items.
- p) A transaction which gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime.
- q) A transaction, which appears to be a case of insider trading.
- r) High trading activity in the relatively illiquid scrips;
- s) Transactions reflect likely market manipulations.
- t) Suspicious off market transactions.
- u) Value of transaction just under the reporting threshold amount in an apparent attempt to avoid reporting.
- v) Inconsistency in the payment pattern by the client.
- w) Trading activity in account of high-risk clients based on their profile, business pattern and industry segment.
- x) Accounts based as 'passed through'. Where no transfer of ownership of securities or trading is occurred in the account and the account is being used only for funds transfers / layering purposes.

- y) Large deals at prices away from the market.
- z) Suspicious off market transactions.
- aa) Purchases made in one client's account and later on transferred to a third party through off market transactions through DP Accounts.
- bb) Attempted transfer of investment proceeds to apparently unrelated third parties;
- cc) Multiple transactions of value just below the threshold limit specified in PMLA so as to avoid possible reporting.

Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005:

The Securities and Exchange Board of India vide its master circular on AML/ CFT dated 06.06.2024 has informed that all the The Intermediary shall comply with the provisions of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 ("WMD Act") and the applicable directions/guidelines issued by the Government of India, SEBI, Stock Exchanges and other competent authorities from time to time.

The Intermediary shall ensure that no accounts, funds, securities, financial assets or economic resources are made available, directly or indirectly, to individuals, entities or groups identified in the sanctions lists or designated under the WMD Act.

The Intermediary shall carry out sanctions screening of clients and beneficial owners at the time of onboarding and on an ongoing basis against the relevant sanctions/designated lists. In case of any positive match or suspected match, the Intermediary shall immediately freeze such accounts/assets, prohibit any transactions therein and report the matter without delay to the Central Nodal Officer (CNO), SEBI, Stock Exchanges and other regulatory authorities, as applicable.

The Principal Officer and Compliance Officer shall be responsible for ensuring compliance with the requirements prescribed under Section 12A of the WMD Act and related regulatory circulars/guidelines issued from time to time.

SUSPICIOUS TRANSACTION - REPORTING:

KREDENT 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, KREDENT 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) Clients based in high risk jurisdictions;
- c) Substantial increases in business without apparent cause;
- d) Clients transferring large sums of money to or from overseas locations with instructions for payment incash;
- e) Attempted transfer of investment proceeds to apparently unrelated third parties;
- f) 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 Principal Officer of KREDENT. 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/Compliance 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. KREDENT shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

KREDENT would adhere to additional measures for those 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, enlisted as CSC. 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.

LIST OF DESIGNATED INDIVIDUALS/ENTITIES:

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>

The Concern officers of KREDENT would ensure that accounts are not opened in the name of anyone whose name appears in said list.

The Concern officers of KREDENT 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.

The Concern officers shall concurrently identify a transaction which is not in consonance with the financial status declared / shown by the client. Also unusual activities compared to past transactions, sudden activity in dormant accounts, activity inconsistent from declared business activity, should be traced. The Back Office system should be devised to support such surveillance system.

KREDENT shall put in place for identifying transactions, which may likely lead to market manipulation which appears to be insider trading and also any transactions which seems to have no bonafide intention. Regular communications by means of mailers, SMS, E-mail should be sent to clients at various intervals requesting them to update their latest financial details and KYC details



with KREDENT.

PROCEDURE FOR FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES:

KREDENT is aware that under 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.

As per 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 obligations shall be followed by KREDENT to ensure the effective and expeditious implementation of the procedure laid down in the UAPA Order dated August 27, 2009 as listed below:

a) To 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.

b) In the event, particulars of any of customer/s match the particulars of designated individuals/entities, the Principal Officer 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 securities, held by such customer on their books to the Joint Secretary (IS.I), 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 jsis@nic.in.

c) KREDENT shall also send the particulars of the said communication 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.

KREDENT ensures that accounts are not opened in the name of anyone whose name appears in said list. KREDENT shall continuously scan all new accounts as well as 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.

PROCEDURE FOR UNFREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES:

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 KREDENT. On receipt of such request KREDENT shall inform and forward a copy of the application together with full details of the asset frozen to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph (b) above within two 21 working days.

REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA:

In terms of the PML Rules, intermediaries are 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>

KREDENT shall carefully go through all the reporting requirements and formats that are available on the website of FIU – IND under the Section Obligation of Reporting Entity – Furnishing Information – Reporting Format (https://fiuindia.gov.in/files/downloads/Filing_Information.html)

KREDENT shall file the Cash Transaction Report (CTR) (wherever applicable) for each month to FIU-IND by 15 of the succeeding month.

KREDENT shall file Non-Profit Organization Transaction Reports (NTRs) for each month to FIU-IND by 15th of the succeeding month.

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. The Principal Officer of KREDENT will be responsible for timely submission of CTR, STR and NTR to FIU-IND.

Utmost confidentiality shall be maintained by KREDENT in filing of CTR and STR to FIU-IND. The reports shall be transmitted by speed/registered post/fax at the notified address.

KREDENT shall not require to file Nil reporting transaction to FIU-IND in case there are no cash/suspicious/ non –profit organization transactions to be reported.

KREDENT shall not put any restrictions on operations in the accounts where an STR has been filed.

KREDENT and their directors, officers and employees (permanent and temporary) shall strictly prohibit themselves from disclosing (“tipping off”) the fact that a STR or related information is being



reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level.

KREDENT, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime.

The reports submitted to FIU-IND shall be under the digital signature of the Principal Officer of KREDENT designated for PMLA purpose w.e.f 1st April, 2016 as advised by FIU-IND.

APPOINTMENT OF AN OFFICER FOR REPORTING OF SUSPICIOUS TRANSACTIONS:

To ensure that KREDENT properly discharge their legal obligations to report suspicious transactions to the authorities, Mr. Praveen Kumar Bajaj has been appointed as the Principal Officer who would act as a central reference point in facilitating onward reporting of suspicious transaction and for playing an active role in the identification and assessment of potentially suspicious transactions. He shall have access to and be able to report to Management at the next reporting level or the Board of Partners.

HIRING OF EMPLOYEES:

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

As the business of Stock Broking and Depository are both extremely confidential in nature, it is of prime importance that the prospective employee is of good character and high integrity. Thus the HR of KREDENT is instructed to cross check all the references and should take adequate safeguards to establish the authenticity and genuineness of the persons before recruiting. The department should obtain the following documents:

- A. Photographs
- B. Proof of address
- C. Identity proof
- D. Proof of Educational Qualification

There should not be the slightest doubt in the person's past record of any impropriety, or other unacceptable conduct. The SEBI and other websites should also be checked for their banned lists.

EMPLOYEES' TRAINING:

The employees are to be encouraged to attend seminars and other educational meetings to learn, update and broaden their understanding of Prevention of Money Laundering Act (PMLA) in true letter and spirit. KREDENT shall have an ongoing employee-training programme so that the staff members are adequately trained in AML and CFT procedures.

All the Circulars issued by various Regulatory bodies including that of PMLA, are circulated to all the staff Members and the same are also being discussed in length, in the Training Program'. Training

program shall have special emphasis on frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients. It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

The Concern officers should keep themselves updated and continuously upgrade themselves with the above mentioned policies and procedure and ensure that the higher management and all the sub-ordinates are made aware about the aforesaid guidelines.

Further, Compliance department should periodically sensitize the staffs with regards to compliance norms and the amendments in law from time to time.

INVESTORS EDUCATION:

The Implementation of AML/CFT measures mandates certain information from investors, which may be of personal nature or even considered unwarranted by the client. This is because such information was not required to be even asked for in the past. Such information can include documents evidencing source of funds/income tax returns/bank records etc. This can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information. There is, therefore, a need to sensitize their clients about these requirements of law arising from AML and CFT framework and the duty cast on KREDENT. Queries from our office to clients should be only through a Senior Officer and with complete confidentiality. KREDENT shall also publish on their website the PMLA Policy so as to educate the client of the objectives of the AML/CFT programme.

COMPLIANCE WITH VARIOUS REGULATIONS:

The concern officers of KREDENT should be vigilant to comply with the various Rules, Regulations, Circulars issued by various regulators viz. SEBI, Exchanges, Depositories, Government Departments from time to time. The Department Heads and Branch Heads must update themselves with the latest updates on such rules and regulations and should impart knowledge of the same to their sub-ordinates from time to time.

If any, deviation or non-compliance, is detected, the same should be reported to the Compliance Officer as well as Department Head immediately.

ROLE OF COMPLIANCE TEAM AND INTERNAL AUDIT:

The Compliance Team shall play an important role in ensuring Compliance of the above-policies and procedures. The Account Opening Team shall exercise adequate due diligence as stated above. There shall be periodic checking by the Principal Officer and the same report shall be properly filed.

It is the duty of the Compliance Officer, its sub-ordinates as well as the Internal Audit Team to ensure compliance with policies, procedures, and controls relating to prevention of money laundering and terrorist financing, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff regarding their responsibilities in the said matter.

Any suspicious transaction or non-adherence to the policies, procedures and controls should be



brought to the notice of the Principal Officer.

It is the duty of the Compliance Officer and LLP Secretary of KREDENT to regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness.

KREDENT shall have a system of Concurrent Audit, which shall also include ensuring Compliance of the above policies. The Management shall note deviation or any inadequacy, if any in the report of the Concurrent Auditor for necessary action. The areas to be specially checked by the Concurrent Auditors shall be:

- a) Due Diligence in KYC Norms
- b) Generation of Exception Reports
- c) Trading in Dormant Client Codes
- d) Level of Awareness of Staff

REVIEW PROCEDURE:

In order to ensure the effectiveness of the policies and procedures on the prevention of ML and TF, it shall be reviewed once in every year and as and when required to incorporate the additions, changes, modifications etc., as directed by SEBI/FIU-IND and such changes shall take place from their effective date. Further, the person doing such a review shall be different from the one who has framed such policies and procedures.

The Principal Officer shall be responsible to ensure that as and when the policy is reviewed or updated, the same is consistent with the applicable laws and rules and to bring all the significant changes in the PML Act to the notice of Designated Director and place the reviewed policy before the Board for its adoption.
