

ANTI - MONEY LAUNDERING

Money laundering is the process by which criminals attempt to hide and disguise the true origins and ownership of the proceeds of their criminal activities, thereby avoiding prosecution, conviction and confiscation of the criminal funds. In simple words it is converting bad money of criminals into the good money.

Since cash is fungible and anonymous, it is the preferred medium of exchange in the criminal world. Trading in securities, future and leveraged foreign exchange markets is often the favoured method by which criminals integrate their cash into the general economy.

Legislation relating to money laundering in India:

The Prevention of Money Laundering Act, 2002 has come into effect from 1st July 2005. Necessary Notification / 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.

As per the provisions of the Act, including inter- alia any licensed intermediary 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. Such transaction include:

- All cash transaction of the value of more than Rs.10 lacs or its equivalent in foreign currency.
- All series of cash transaction integrally connected to each other which have been valued below Rs. 10 lacs or its equivalent in foreign currency where such series of transaction take place within one calendar month.
- All suspicious transactions whether or not made in cash and including, iner-alia, credit or debits into from any non monetary account such as d-mat account, security account maintained by the registered intermediary.

Policy and Procedures framed for Anti- Money Laundering

It is the policy of the TSL neither to participate nor otherwise to assist in money laundering. Any employee found to have assisted in money laundering, either wittingly or

by disregarding plainly suspicious circumstances, may be subject to disciplinary action, including suspension or dismissal.

It is an offence to:

- a) Provide assistance to a money launderer;
- b) Tip-off a money launderer that has is, or is likely to be, under suspicion; or
- c) Fail to report knowledge or suspicion of money laundering to the authorities.

These offences carry severe penalties, including fines and/or terms of imprisonment. The penalties are imposed on the individual person convicted rather than necessarily of his/her employer.

The three common stages identified in the process of money laundering:

- **Placement** – the first stage is the disposal of the illegal money.
- **Layering** – the second stage is the separation of the illegal money from the source by creating a number of financial transaction (layers) which effectively hide the origins and give the money the appearance of being clean.
- **Integration** – the final stage is when the money has obtained the appearance of being good money and can be used openly without the fear of being connected with the crime, which was its source.

TSL has system in place for identifying; monitoring and reporting suspected money laundering or terrorist financing transactions to the law enforcement authorities.

Client Due Diligence (CDD)

1. Elements of client Due Diligence

- a) Obtaining information to identify beneficial owner who controls the securities account- We do not entertain third party transaction.
- b) Verification of client's Identity
- c) Verification of identification of beneficial owner - We do not entertain third party transaction therefore client and beneficial owner is one and same person.
- d) Conducting ongoing due diligence.

2. Policy for Acceptance of Client:

- There is acceptance of client only by reference.

- Client is interviewed by the any of directors of the company
- Any of the directors take a call to accept interviewer as client.
- Walk in Client are not entertained by the company.
- Client account is opened in his / her name only after verifying identity details provide by the client at the time of registration for example If Pan card copy is provided by the client than PAN details are verified from the Income tax website.
- Client and beneficial owner are always same person / entity.

3. Risk Based Approach

- Client are classified into High risk client, Medium risk client or low risk client on the basis of his / her nature of business activity, Trading Turnover, location of stay, manner of making payment for transaction undertaken by him / her etc as applicable from client to client.
- Ongoing scrutiny of the transaction and account is done throughout the course of business relationship on a daily basis live to ensure that the transaction being conducted is consistent.
- Company has online monitoring of risk management in place.

4. Client of Special Category

Client is also categories as ‘Special Client’ on the following basis.

If client is

- 1) Non Resident;
- 2) High Net worth Client;
- 3) Trust, Charities, Non Governmental organization (NGOs);
- 4) Companies having family close shareholding or beneficial ownership;
- 5) Politically Exposed Person (PEP)
- 6) Companies offering foreign Exchange
- 7) Client of high risk country where money laundering is suspected
- 8) Non face to face client
- 9) Client with dubious reputation

Such client KYC profile is updated on a regular basis.

5. Client Identification Procedures

KYC contains the Policy and Procedures of client registration

It clearly spells out the procedure to be followed at different stages while carrying out transaction for client.

KYC also contains list of documentary requirement of identification of client. Each original document of client identification or address proof or bank accounts or financial information is seen prior to acceptance of a copy.

For carrying out client identification procedure all clients are treated as equal for all clients same procedure is followed. Only in case of special category some additional procedure is followed in respect of source of funds, ultimate beneficial owner of securities etc.

6. Clients source of funds

- TSL does not accept fund / make payment in cash form for whatsoever reason from or to client.
- Before accepting any funds from client for whatsoever reason a cancelled cheque is obtained from client as a proof of his / her bank account details.
- Third Party cheques are not accepted from client.

Employee training programme is conducted as and when there are some updates on the PMLA from SEBI or Exchanges. Also when new employee joins in, training on PMLA is provided to him / her. Following group policy is framed for PMLA

Group policies relating to money laundering:

The principles set out below form the Group's high- level policy on the prevention of money laundering (dealing with the proceeds of crime). It is a clear statement of our staff and regulators of the Group's position on this critical risk issue. The policy is essential in order to deter money launderers from targeting the Group and to protect the Group and to protect the Group from regulatory penalties, litigation and reputation risk.

Group will:

- Establish clear lines of internal accountability and responsibility. Primary responsibility for the prevention of money laundering rest with the business, which must ensure that staff are adequately trained and that appropriate internal control are in place and operating effectively. Sufficient information are obtained and documented in order to identify person who beneficially own or control securities account.
- Take all reasonable steps to verify the identify of our clients using reliable, independent source documents, data or information, including the beneficial owners of corporate entities (including trusts). We take all reasonable steps to ensure that information about client is kept up-to-date.
- TSL has system to retain adequate record of identification, account opening, and transactions up to seven years and also maintains the record of identity of the

clients for a period of 10 years from the date of termination of an account or business relationship.

- Refuse any transaction where, based on explanation offered by the client or other information, reasonable ground exists to suspect that the funds may not be from a legitimate source.
- Perform ongoing scrutiny of the transaction and account throughout the course of business.
- No account is opened in a fictitious / benami name or on an anonymous basis.
- The 'Know your Client' (KYC) policy of TSL clearly spell out the client identification procedures to be carried out at different stages.
- At the time of 'In person Verification' client is marked as 'PEP' in its filled KYC if he /she or its beneficial owner is politically exposed person. Further, all reasonable measures are taken to verify the sources of funds as well as the wealth of client and beneficial owners identified as 'PEP'
- Information obtained will satisfy competent authorities in future that due diligence was observed by the TSL in compliance with the Guidelines.
- Where required or permitted by local legislation, make prompt disclosure of suspicious transaction or proposed transaction to the relevant authorities, through the appropriate internal channels.
- Educate and train our staff in the recognition of suspicious transactions, the requirement of local legislation, the Group's policy on the prevention of money laundering and the systems, controls and procedures implemented.
- Co-operate with any lawful request for information made by government agencies during their investigation into money laundering.
- Support governments, law enforcement agencies and international bodies such as the Financial Action Task Force, in their efforts to combat the use of the financial system for the laundering of the proceeds of crime.
- Report money-laundering issues to local management and Group senior management on a regular basis.
- While dealing with clients in high risk countries where existence / effectiveness of money laundering control is suspected is independently assess and other publicly available information is considered.
- When there are suspicious transaction of money laundering or financing of terrorism for low risk client arises or when other factors give rise to a belief that

the customer does not in fact pose a low risk then high risk provision is applied rather than low risk provision.

- Internal audit is conducted to ensure compliance with the policies, procedures and control relating to money laundering. Internal auditor appointed is independent. Internal audit is adequately resourced and commensurate with the size of business and operations, organization structures, number of client etc.
- When suspicions of money laundering or financing of terrorism arises then the process of CDD is revisited and revised if needed.

Record Keeping

TSL comply with the record keeping requirement contained in the SEBI Act, 1992, Rules and Regulations made there – under, PML Act, 2002 as well as other relevant legislation, Rules, Regulation, Exchange Bye – laws and Circulars.

Following information for the client account is retain to provide a satisfactory audit trail:

- (a) The beneficial owner of the account
- (b) The volume of the funds flowing through the account;
- (c) For selected transactions:
 - The origin of the funds:
 - The form in which the funds were offered or withdrawn
 - The identify of the person undertaking the transaction;
 - The destination of the funds;
 - The form of instruction and authority

All client and beneficial owner's records are periodically updated and information are available on a timely basis to the competent investigation authorities.

System to trace suspicious transaction & Reporting:

TSL has appointed Compliance officer, who report to the management, of any potentially suspicious transaction as an when it arises.

Following points as mentioned below give rise to the existence of suspicious transaction

- Identity of client is not traceable
- Client does not corporate for providing KYC details.
- Document submitted for KYC indicate some suspicious activity.

- There is substantial increase in business without apparent cause.
- Client putting request to transfer investment proceed to apparently unrelated third parties
- Client Insisting us to accept fund from apparently related third party cheque
- Client nature of business which itself seems to be suspicious.
- Or the situation as and when arise which give rise to suspicious activity.

Suspicious transactions are immediately communicated to the management of the company and Management further enquires on it and also notifies the same to The Money Laundering Control Officer or any other designated officer.