

Prevention of Money Laundering Act, 2002

Member-

BSE

NSE

**Updated - SEBI Circular dated 15th October 2019 vide circular
SEBI/HO/MIRSD/DOP/CIR/P/2019/113**

Policy framed based on Prevention of Money Laundering Act, 2002, the Rules framed there under and Circulars issued by Regulatory Authorities.

A. Designated Director

As per the requirement of Prevention of Money Laundering Act, 2002, a Designated Director will be appointed and informed to FIU. Designated Director will ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules.

B. Principal Officer

As per the requirement of Prevention of Money Laundering Act, 2002, a Principal Officer will be appointed and informed to FIU. Principal Officer will be responsible for reporting any transactions covered under Prevention of Money Laundering Act, 2002.

C. Risk Assessment

Risk assessment will be based on categorization of clients based on High risk, Medium risk & Low risk. Following criteria is generally used for categorization of clients:

- a. High risk clients- All special category clients are considered as High risk clients. Specific occupations of the client will mean that client will be marked as medium risk.
- b. Medium Risk: Business, Agriculture, Student, Professional and Others.
- c. All other clients are primarily categorized as Low risk clients

Review of Risk constantly after the On Boarding: The ongoing risk review can trigger the client's risk to be upgraded based on the following parameters or events.

- a. Change of the client relationship from Indian to NRI. The risk would be upgraded to "High"
- b. If it is later realized that the client is a High Net Worth client. The risk would be upgraded to "High"
- c. If in future it is known that a client is PEP then apart from seeking permission from the management to continue the relationship, the client should be immediately upgraded to High risk
- d. If it is later realized or the existing client is registered foreign exchange dealer the client will have to be upgraded to High risk.
- e. If a client is residing in a country which has been recently declared by the FATF as a high risk jurisdiction or an existing client moves base into a high risk jurisdiction then naturally in both the cases client will be immediately upgraded to "High" risk.

- f. If a client registers the authorization or gives a power of attorney to operate his account to somebody else, in that case the account is to be upgraded to “High” risk
- g. If it is realized by the management that the existing client’s reputation is tainted because of a SEBI debarred or any such announcement then the client will be upgraded to “High”
- h. Any employee of the organization could alert the principal officer and request based on any news item or an event in the public domain which can lead the risk to be made High
- i. Customers that are likely to pose a higher than average risk to shall be categorized as high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc. It shall apply Customer Due Diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear.

Enhanced due diligence measure to be carried out for high risk /special category clients.

1. Each trade given by such clients to be verified before execution of trades.
2. To obtain Annual Income proof and Financial Statements.
3. To verify each receipt of fund from clients. To obtain additional proof in case of Electronic FundTransfer.

D. Customer Due Diligence

1. New customer acceptance procedures adopted include following processes:

Before opening the client account it is also verified that the client is not a part of the Debarred list. This will help us in not opening erroneously account of a debarred client or entity. The list used are:

UNSC 1267

UNSC 1988

SEBI Debarred List

Domestic PEP

UNSC 2140

ARBITRATION NSE

If a client is found matching with UNSC 1267 or UNSC 1988 we would not open the account and immediately inform the Principal Officer/Management for further action which will result in STR filing

If a client is found matching with SEBI Debarred we would not open the account unless approved by a senior person on a case to case basis.

If a client is a Politically Exposed Person we will not open the account

The screening will be done for UBO and associated entities also like Directors in a private ltd or partners in a trust or trustees in a trust.

Summarizing the steps of Opening the account are as below:

Checking for KYC and mandatory information in the form.

In person verification

Verification with original documents

Checking of client with screening database consisting of sources mentioned above.

Verification of Pan with Income Tax Database.

To Obtain Aadhaar number as required by the Ministry of Finance gazette notification dated June 1, 2017 (BSE notice no.20170817-36 dated August 17, 2017)

CSC marking.

To verify status of client in **KRA Agencies** website and compliance at the time of account opening as per SEBI {KYC (Know Your Client) registration agency} Regulations, 2011,

Dispatch Photocopies of KYC and Welcome Letter on the address mentioned in the account opening form. Welcome Email along with login details of back office and password to clients designated Email address.

To obtain necessary documents from non-individual clients like shareholding pattern, financial statements for past 2 years, partnership/trust deeds, etc. (Point No.D)

In case of Non-Individuals, additional documents to be obtained from non-individuals, over & above the POI & POA, as mentioned below:

Types of entity	Documentary requirements
Corporate	<ul style="list-style-type: none"> • Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD (to be submitted every year). • Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations. <ul style="list-style-type: none"> • Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly. • Copies of the Memorandum and Articles of Association and certificate of incorporation. • Copy of the Board Resolution for investment in securities market. • Authorised signatories with specimen list of signatures.
Partnership firm	<ul style="list-style-type: none"> • Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Certificate registration (for registered partnership firms only). • Copy of partnership deed.

	<ul style="list-style-type: none"> • Authorised signatories list with specimen signatures. • Photograph, POI, POA, PAN of Partners.
Trust	<ul style="list-style-type: none"> • Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Certificate of registration (for registered trust only). • Copy of Trust deed. • List of trustees certified by managing trustees/CA. • Photograph, POI, POA, PAN of Trustees.
HUF	<ul style="list-style-type: none"> • PAN of HUF. • Deed of declaration of HUF/ List of coparceners. • Bank pass-book/bank statement in the name of HUF. • Photograph, POI, POA, PAN of Karta.
Unincorporated association or a body of individuals	<ul style="list-style-type: none"> • Proof of Existence/Constitution document. • Resolution of the managing body & Power of Attorney granted to transact business on its behalf. • Authorized signatories list with specimen signatures.
Banks/Institutional Investors	<ul style="list-style-type: none"> • Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years. • Authorized signatories list with specimen signatures.
Foreign Institutional Investors (FII)	<ul style="list-style-type: none"> • Copy of SEBI registration certificate.

	<ul style="list-style-type: none"> Authorized signatories list with specimen signatures.
Army/ Government Bodies	<ul style="list-style-type: none"> Self-certification on letterhead. Authorized signatories list with specimen signatures.
Registered Society	<ul style="list-style-type: none"> Copy of Registration Certificate under Societies Registration Act. List of Managing Committee members. Committee resolution for persons authorised to act as authorised signatories with specimen signatures. True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.

2. For existing clients on going due diligence (point no. F) processes include:

- i. Review of KYC details of all the existing active clients in context to the PMLA 2002 requirements.
- ii. To verify status of client in KRA Agencies website and compliance at the time of account opening as per SEBI {KYC (Know Your Client) registration agency} Regulations, 2011,
- iii. Classification of clients into high, medium or low risk categories based on KYC details, trading activity etc. for closer monitoring of high risk categories.
- iv. **To Obtain Aadhaar number as required by the Ministry of Finance gazette notification dated June 1, 2017 (BSE notice no.20170817-36 dated August 17, 2017)**
- v. Obtaining of annual financial statements from all clients, particularly those in high risk categories at reasonable intervals.
- vi. In case of non-individuals client additional information about the directors, partners, dominant promoters, major shareholders is obtained.
- vii. Verify each account with SEBI debarred entity lists and UNSCR lists on daily basis.
- viii. To update/modify any change in existing client/beneficial owner details/records and obtain required information/documents as per KYC/CDD process.(Point no. C)

- ix. **Ongoing due diligence and scrutiny** –We shall to conduct periodic due diligence and scrutiny of client’s transaction and accounts to ensure that transactions are being conducted in knowledge, to find out the risk profile, source of funds, etc. At regular interval, ongoing due diligence and scrutiny needs to be conducted i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the Organization’s knowledge of the client, its business and risk profile, taking into account, where necessary, the customer’s source of funds.
 - x. Acceptance of e-PAN card for KYC purpose as per SEBI circular number SEBI/HO/IMD/FIIC/CIR/P/2017/068 dated June 30, 2017
- For all clients applying for trading rights in the futures and options segments, further details as regards their proof of income and source of funds would be required.

E. Risk based approach:

Following Risk based KYC procedures are adopted for all clients:

- i. Payout/pay-in of funds and securities transferred to /from a third party
- ii. Off market transactions especially in illiquid stock and in F & O, at unrealistic prices
- iii. Trading pattern of clients is observed
- iv. Client demographics are considered

F. Clients of special category (CSC)

- i. Nonresident clients,
- ii. High net-worth clients,
- iii. Trust, Charities, NGOs and organizations receiving donations,
- iv. Companies having close family shareholdings or beneficial ownership,
- v. Politically exposed persons (PEP). Politically exposed persons 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 the subsequent clause 5.5 (Page 19 of the Master Circular) shall also be applied to the accounts of the family members or close relatives of PEPs,
- vi. Companies offering foreign exchange offerings,

- vii. Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, 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,
- viii. Non face to face clients,
- ix. Clients with dubious reputation as per public information available etc.

NRI: All NRI accounts will be marked.

High Net worth Clients: High net worth clients could be classified if at the account opening stage or during the course of the relationship, it is realized that the client's net worth is beyond ten crore or income is beyond 1 crore.

Trust, Charity and NGOs: Both public as well private, registered as well non registered trust will have to be classified in the special category. Any Charitable or Non-governmental organization or a no Profit Organization will be also classified herein.

Close family shareholdings or Beneficial Ownership: In case of close family shareholdings the objective is to understand whether the beneficiaries of two or more accounts, which may also be opened at different times are same, then both need to be marked under this special category.

Politically Exposed Persons: A separate detailed document mentions about PEP identification.

Company offering foreign Exchanges: At the account opening stage if it is to our knowledge that the individual or the entity is registered foreign exchange dealer, then the same may be categorized.

Client in High Risk Country: We avoid to open any account received from client who was residing in a high risk jurisdiction and may have investment proceeds which may have also originated from these countries.

Non Face to Face Client: In person verification is done for all clients. But there may be clients who may register a power for somebody else in their account and in that scenario as the account would be controlled not by the account holder but by some other individual we would treat as a non-face to face account and the same would be categorized accordingly.

Client with dubious Public Reputation: If a clients' reputation during the opening of the account or post opening the account is known to be not good, then the same is marked in this special category.



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G. Record Keeping:

The Principal Officer will be responsible to ensure that AML records are maintained properly. The company shall also maintain such records, which can permit reconstruction of individual transactions so as to provide evidence of prosecution of criminal behavior.

The company shall maintain and preserve the records for the minimum period prescribed under AML Act and SEBI Act. Records relating to ongoing investigations to be retained until it is confirmed that the case has been closed.

H. Monitoring & Reporting of Suspicious Transactions:

Suspicious transactions generated from PMLA software & Exchange records are scrutinized and inquired into from concerned entities/clients and based on input decide to report to FIU-IND. After verification of each alert by inquiring with the client/obtaining necessary information alert is closed or based on input alert be reported to FIU-IND. (point No.G)

NSE has issued a circular NSE/INVG/22908 dated March 7, 2013. The circular lays down the guidelines to be followed to monitor surveillance related alerts provided by the NSE from time to time. In this regard process to be followed is provided below –

1. All exchange alerts shall be reviewed by the surveillance team.
2. In case of any suspicious activity observed –
 - a. Client would be required to provide explanation
 - b. We may ask clients to provide KYC related information
 - c. Further documentary evidence such as bank and depository account statements may be called for
 - d. Post analyzing the documentation the results for the same would be recorded and in case of adverse remarks the same would be informed to the exchanges within 45 days from the alert date, unless suitable extension is taken from the exchange.
3. Quarterly MIS of the number of alerts received, reviewed, pending and escalated would be reported to the Board in the Board Meeting. Reason for pendency beyond the closure date would be explained.

Ongoing monitoring of accounts which includes

- i. Identification and detection of apparently abnormal transactions.
- ii. Generation of necessary reports/alerts based on clients' profile, nature of business, trading pattern of clients for identifying and detecting such transactions. These reports/alerts are analyzed to establish suspicion or otherwise for the purpose of reporting such transactions.

Following parameters are used:

- i. Large number of accounts having common parameters such as common partners / directors / Promoters /
- ii. Off market transactions through DP Accounts;
- iii. Suspicious off market transactions;
- iv. Clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'Clients of Special Category'. Such clients should also be subject to appropriate counter measures.

Monitoring of Transactions

Ongoing monitoring is an essential element of effective KYC procedure. Neo Apex Share Broking Services LLP can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity.

Neo Apex Share Broking Services LLP shall have in place a comprehensive transaction monitoring process from a KYC/AML perspective. Neo Apex Share Broking Services LLP shall put in place strong transaction alerts which will provide proactive signals on suspicious transactions and possible money laundering. Neo Apex Share Broking Services LLP. AML monitoring team shall endeavor to update the list based on current understanding of the market scenario and trading patterns followed by clients. Surveillance team shall review internal alerts if any and also monitor the alerts provided by the exchanges per their circular NSEINVG/22908 dated March 7, 2013.

On the basis of criticality of the breach, observation of account behavior, repetitive breaches, the AML Monitoring Team shall send a query to the concerned Business. Responses would be expected within 7 working days. If the alerts still persist or the AML Monitoring Team is not satisfied with the responses, then the AML query team shall send the query to the Compliance Head for resolution.

Action for SEBI debarred entities

If any person's/ entity name appears on SEBI debarred list and that person is our client, we immediately stop the trading of those clients.

IDENTIFICATION OF BENEFICIAL OWNER

Check would be done for actual beneficial ownership and control of the particular account. We need to obtain the details with respect to Shareholders / promoters (Holding more than 25 % or more of share capital of Corporate entities) , Partners (Holding more than 15 % or more of capital or profits of partnership firm.), Unincorporated association or body of individuals(Holding more than 15 % or more of property or capital or profits of juridical person) from the non-individual clients and wherever possible it has to be verified independently. Where the client is a trust, 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.

Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority- owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

Where no natural person is identified the identity of the relevant natural person who holds the position of senior managing official

Verify the sources of funds for funding the transaction. We shall also take care at the time of settlement regarding nature of transaction, movement/source of transaction, etc. Periodically to ask for clients financial details to determine the genuineness of transaction. Special care would be taken in case of nonindividual accounts such as corporate, partnership firms etc, where the ownership structure is opaque. In all such cases the accounts would be activated only post approval from the compliance department.

For this purpose, "**beneficial owner**" is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

Others

In case of existing clients, if any names appear in the UNSCR lists as and when stock exchange issue any circular/notification in this regard, we immediately deactivate that client.

In case we upload any STR to FIU IND, or any other confidential information of any client, we keep secrecy and it is known only by compliance officer and principal officer.

I. Reporting of Suspicious Transactions:

- i. All suspicious transactions will be reported to FIU. Member and its employees shall keep the fact of furnishing information in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 strictly confidential.
- ii. 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 should be made available to auditors and also to SEBI /Stock Exchanges/FIU-IND/Other relevant Authorities, during audit, inspection or as and when required. These records are required to be preserved for **Eight years** as is required under PMLA 2002.
- iii. The Principal Officer and related staff members shall have timely access to customer identification data and other CDD information, transaction records and other relevant information. The Principal Officer shall have access to and be able to report to senior management above his/her next reporting level or the Board of Directors.

J. Employee`s Hiring/Training

Hiring of Employees:

All employee accounts will be subjected to the same AML procedures as the customer accounts, under the supervision of the Principal Officer

Adequate screening procedures to be in place to ensure high standards when hiring employees, having regard to the risk of money laundering and terrorist financing and the size of the business, we ensure that all the employees taking up such key positions are suitable and competent to perform their duties.

Employees' Training:

An ongoing employee training program should be conducted by the Principal Officer and Senior Management. Participation of all the Key Employees in the Seminars conducted by various Regulatory bodies from time to time be made mandatory so that the staff 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.

Our training will include, at a minimum: how to identify red flags and signs of money laundering that arise during the course of the employees' duties; what to do once the risk is identified; what employees' roles are in the firm's compliance efforts and how to perform them; the firm's record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the PMLA Act.

K. Audit and Testing of Anti Money Laundering Program.

The Anti-Money Laundering program is subject to periodic audit, specifically with regard to testing its adequacy to meet the compliance requirements. The audit/testing is conducted by Trading Member's own personnel not involved in framing or implementing the AML program. The report of such an audit/testing is placed for making suitable modifications/improvements in the AML program.

L. Maintenance of record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

- i. all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- ii. all series of cash transactions integrally connected to each other which have been valued below rupees tenlakh 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;
- iii. 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 has taken place;
- iv. all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

M. Appointment of a Designated Director:

In addition to the existing requirement of designation of a Principal Officer, the registered intermediaries shall also designate a person as a 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules, the definition of a Designated Director reads as under:

"Designated Director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes —

- (i) the Managing Director or a Whole-time Director duly authorized by the Board of Directors if the reporting entity is a company,
- (ii) the managing partner if the reporting entity is a partnership firm,
- (iii) the proprietor if the reporting entity is a proprietorship concern,
- (iv) the managing trustee if the reporting entity is a trust,
- (v) a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals.

N. Investors Education:

As the implementation of AML / CFT measures being sensitive subject and requires us to demand and collect certain information from investors which may be of personal in nature or has hitherto never been called for, which information include documents evidencing source of funds / income tax returns / bank records etc. and 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 for us to sensitize the clients about these requirements, as the ones emanating from AML and CFT framework. We shall circulate the PMLA Circulars and other specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT program. The same shall also be emphasized on, in the Investor Awareness programmes conducted by us at frequent intervals of time. The importance of the same is also made known to them at the time of opening the account.

O. Procedure for freezing of funds, financial assets or economic resources or related services:

Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an Order dated August 27, 2009 (Annexure 1) detailing the procedure for the implementation of Section 51A of the UAPA.

In view of the reorganization of Divisions in the Ministry of Home Affairs and allocation of work relating to countering of terror financing to the Counter Terrorism and Counter Radicalization (CTCR) Division, the Government has modified the earlier order dated August 27, 2009 by the order dated March 14, 2019 (Annexure 2) for strict compliance

P. Reliance on Third Party Due Diligence :-

For the purpose of verifying the identity of customers at the time of commencement of an account based relationship Neo Apex Share Broking Services LLP may rely on the Third Party subject to the following condition:

- 1) Neo Apex Share Broking Services LLP Obtains necessary information of client due diligence carried out by the third party;
- 2) Neo Apex Share Broking Services LLP takes adequate steps to satisfy itself that copies of identification data and other relevant document relating to the client due diligence requirement will be made available from the third party upon request without salary;
- 3) Neo Apex Share Broking Services LLP is satisfied that such third party is regulated, supervised or monitored for, and has measure in place for compliance with client due diligence and record keeping requirements in line with the requirements and obligations under the PMLA Act,
- 4) the third party is not based in a country or jurisdiction assessed as high risk and
- 5) Neo Apex Share Broking Services LLP. is ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable.

Q. Others

This Policy is to be made available to the persons engaged in the Broking/depository operations for compliance purpose.

Clients are to be categorized into low, medium and high risk based on perceived risk depending upon client's background, type of business activity, transaction etc.

The periodicity of updating of documents taken during the client due diligence (CDD) process will be every year As per Company's policy, we are not relying on third party for client due diligence.

Mr. Hardik Shah has been appointed as designated Partner as per PMLA requirement.

This PMLA policy will be reviewed every year on the basis of circulars issued by statutory authority from time to time and this updated policy should be approved in the meeting of Board of Directors

All the clauses of this PMLA Policy should be reviewed periodically. Review of policy is to be done by any official other than the official who originally drafted the policy

Designated Principal Officer:

In the case of any further information / clarification is required in this regards, the “Principal Officer” may becontacted.

Mr. Hardik Shah

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