



CFS Financial Services Pvt. Ltd.

ANTI MONEY LAUNDRING POLICY

ADOPTED BY

CFS FINANCIAL SERVICES PVT LTD

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SEBI Regn. No.: INZ000224536
Depository Participant – NSDL-IN-DP-138-2015

**As per SEBI's Master Circular No. SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated July 04, 2018
and SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019**

Version 3.0



1. BACKGROUND

- 1.1** Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, SEBI had issued the Guidelines on Anti Money Laundering Standards vide their notification No.ISD/CIR/RR/AML/1/06 dated 18th January 2006, vide Circular No.ISD/CIR/RR/AML/2/06 dated 20th March 2006 vide letter No. ISD/AML/CIR-1/2008 dated December 19, 2008, vide Circular No. ISD/AML/CIR-1/2009 dated September 01, 2009, Vide Circular No. ISD/AML/CIR-2/2009 date October 23,2009, vide Circular CIR/ISD/AML/3/2010 dated December 31, 2010, vide Circular No. ISD/AML/CIR-1/2010 dated February 2010 and vide Circular number CIR/MIRSD/1/2014 dated March 12th, 2014, vide Circular No. SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated July 04, 2018 and vide Circular No. and SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019 has issued a Master Circular on Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT). As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI.

2. WHAT IS MONEY LAUNDERING?

- 2.1** Section 3 of PMLA has defined the offence of money laundering as under:
"Whosoever directly or indirectly attempts to indulge or knowingly assist 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 offence of money laundering."
- 2.2** Money Laundering can also be defined as engaging in financial transaction that involve income derived from criminal activities, transaction designated to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/funds.
- 3. PREVENTION MONEY LAUNDERING ACT, 2002**
- 3.1** Prevention Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July1, 2005.
- 3.2** The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including stock broker and sub-broker) to verify identity of client, maintain records and furnish information to the Financial Intelligence Unit (FIU) –India.

4. OBJECTIVES OF ANTI MONEY LAUNDERING POLICY

- i. To ensure is to meet legal and regulatory obligations, and that its staff is trained properly to adhere and comply with prevalent laid down requirements;
- ii. To establish the process of internal control over clients' trading and Demat accounts and activities falling under the category of suspicious nature by identifying, monitoring and reporting to law enforcement authorities;
- iii. To update all subsequent notifications issued by various regulatory authority/exchanges having relevance to the business of intermediary carried on.
- iv. To ensure that the policy/procedures framed are implemented / applied effectively.

5. CUSTOMER DUE DILIGENCE AND FREEZING OF FUNDS, FINANCIAL ASSETS/SERVICES ETC.

- 5.1** Customer Due Diligence (CDD) measures comprises the following:



- i. Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and / or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.
- ii. Verify the client's identity using reliable, independent source documents, data or information;
- iii. Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and / or the person on whose behalf a transaction is being conducted;
- iv. Verify the identity of the beneficial owner of the client and / or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c);
- v. Understand the ownership and control structure of the Client;
- vi. Conduct ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that transactions being conducted are consistent with the registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds and
- vii. Registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

5.2 CDD process which comprises the following:

- i. Obtaining sufficient information about the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted;
- ii. Verify the Customer's identity using reliable, independent source document, data or information;
- iii. Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the customer and/or the person on whose behalf a transaction is being conducted;
- iv. Conduct on-going due diligence and scrutiny of the account/client to ensure that the transaction conducted are consistent with the client's background/financial status, its activities and risk profile.

5.3 The CDD process includes three specific parameters:

- i. Policy for Acceptance of Clients;
- ii. Procedure for Identifying the Client; and
- iii. Suspicious Transaction identification & reporting

5.4 Reliance on Third Party for carrying out the CDD:

- i. CFS 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 beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.
- ii. Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. CFS shall be ultimately responsible for CDD and undertaking enhanced the due diligence measures, as applicable.

6. CUSTOMER ACCEPTANCE POLICY



CFS had developed customer acceptance policy and procedures that aim to identify the types of customers that are likely to pose a higher than the average risk of Money Laundering or Terrorist Financing. By establishing such policies and procedures, we will be in a better position to apply customer due diligence on a risk sensitive basis depending on the type of customer business relationship or transaction. In a nutshell, the following safeguards are followed while accepting the clients:

- i. **Each client should be met in person:** Accept client whom we are able to meet personally either the client should visit the office/branch or concerned official may visit the client at the residence / office address to get the necessary document filled in and signed. Preferably accept client who live within the justification of the branch. As far as possible, ensure that the new client is introduced by an existing client.
- ii. **Accept Clients on whom we are able to apply appropriate KYC procedures:** Obtain complete information from the client. It should be ensured that the initial forms taken by the clients are filled in completely. All photocopies submitted by the Clients are checked against original documents without any exception. Ensure that the 'KNOW YOUR CUSTOMER GUIDELINES' are followed without any exception. All Supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified.
- iii. **Do not accept clients with identity matching persons known to have criminal background:** Check whether the Clients identify matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory agency worldwide
- iv. **Be careful while accepting Clients of Special category:** We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed persons (PEP), persons of foreign origin, companies having closed share holding / beneficial ownership, companies offering foreign exchange offerings, non face to face clients, clients with dubious background, Current / Former Head of State, Current or Former Senior High profile politician connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence), clients in high-risk 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. Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category.
- v. **Guidelines on Identification of Beneficial Ownership (As per SEBI Circular CIR/MIRSD/2/2013 dated January 24, 2013):** For non-individual customers as part of the due diligence measures sufficient information must be obtained in order to identify persons who beneficially own or control securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party should be identified and verified as per prescribed SEBI guidelines. The beneficial owner is the natural person or persons who ultimately own, control, or influence a client and/or persons on whose behalf a transaction(s) is/are being conducted. It includes persons who exercise ultimate effective control over a legal person or arrangement.



- vi. **Do not accept client registration forms which are suspected to be fictitious:** Ensure that no account is being opened in a fictitious/ benami name or an anonymous basis.
- vii. **Do not compromise on submission of mandatory information / document:** Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Do not open the accounts where the client refuses to provide information/ documents and we should have sufficient reason to reject the client towards this reluctance.

7. CUSTOMER IDENTIFICATION PROCEDURE

Our policy clearly spells out the Client Identification Procedure to be carried out at different stages i.e. while establishing the Intermediary – Client relationship, while carrying out transactions for the client or when the intermediary has doubts regarding the veracity or the adequacy of previously obtained client identification data.

The following requirements are put in place for a Client Identification Procedure (CIP):

- i. We have proactively put in place appropriately risk management systems to determine whether our client or potential client or the beneficial owner of such client is a politically exposed person. The procedures 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 as outlined in this also are applicable where the beneficial owner of a client is PEP.
- ii. We have put systems in place 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, our officials obtain senior management approval to continue the business relationship.
- iii. Systems are put in place to take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
- iv. We obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- v. If any prospective client fails to provide satisfactory evidence of identity then the same is to be reported to the higher authority.

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

S. No.	Category of Clients	Documents requirements
1.	In case of existing clients:	PAN Card: PAN card is mandatory and is reliable document as only one card is issued to an individual and we can independently check its genuineness through IT website. IDENTITY Proof: PAN Card, Aadhar Card, Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card may be requested for due diligence.



		ADDRESS Proof: Voter's Identity Card, Passport, Bank Statement, Aadhaar Letter, Ration card and latest Electricity/telephone bill in the name of the client.
2.	Documents to be obtained as part of customer identification procedure for new clients:	
a.	In case of individuals, one copy of the following documents have to be obtained	<p>-As PAN is mandatory, verify its genuineness with IT website and cross verify the PAN card copy with the original. Please put "verified with original" stamp as proof of verification.</p> <p>-Other proofs for identity are Aadhar Card, Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card or any other document prescribed by the regulatory authorities.</p> <p>-Address proof in the form of Voter's Identity Card, Passport, Bank Statement, Ration card and latest Electricity/telephone bill in the name of the client or any other document prescribed by the regulatory authorities.</p>
b.	In case of corporate, one certified copy of the following documents must be obtained:	<p>-Copy of the Registration/Incorporation Certificate</p> <p>-Copy of the Memorandum & Articles of the Association</p> <p>-Copy of the PAN card and the Director Index No. (DIN)</p> <p>-Copy of the latest audited Annual Statements of the corporate client</p> <p>-Latest Net worth Certificate</p> <p>-Latest Income Tax return filed.</p> <p>-Board Resolution for appointment of the Authorized Person who will operate the account.</p> <p>-Proof of address and identity of Authorized Person</p>
c.	In case of partnership firm one certified copy of the following must be obtained:	<p>-Registration certificate</p> <p>-Partnership Deed</p> <p>-PAN card of partners</p> <p>-Authorization letter for the person authorized to open and operate the account</p> <p>-Proof of identity and address of the authorized person.</p> <p>-Annual statement/returns of the partnership firm</p>
d.	In case of a Trust, one certified copy of the following must be obtained:	<p>-Registration certificate Trust Deed</p> <p>-PAN card</p> <p>-Authorization letter for the entity authorized to act on their behalf</p> <p>-Officially valid documents like PAN card, voters ID, passport, etc of person(s) authorized to transact on behalf of the Trust.</p>
e.	In case of unincorporated association or a body of individuals, one certified copy of the following must be	<p>-Resolution of the managing body of such association or body of individuals</p> <p>-PoA in favour of person authorized to transact</p>



	obtained:	-Officially valid documents like PAN card, voters ID, passport, etc of the person(s) authorized to transact -Any document required by the Company to establish the legal existence of such an association or body of individuals.
f.	In case of an NRI account - Repatriable/ non-repatriable, the following documents are required:	-Copy of the PIS permission issued by the bank -Copy of the passport -Copy of PAN card -Proof of overseas address and Indian address -Copy of the bank statement -Copy of the demat statement -If the account is handled through a mandate holder, copy of the valid PoA/mandate.

7.1 General Guidelines

- i. Always check original documents before accepting the copies.
- ii. Obtain the latest photograph of account holder/ authorized person(s).
- iii. Check for latest IT return of the client/ Net worth Certificate for ascertaining the financial status of the client to know the client suitability of the product being sold to the client.
- iv. Review the above details on-going basis to ensure that the transactions being conducted are consistent with our knowledge of customers, its business and risk profile, taking into account, where necessary, the customer's source of funds.
- v. Scrutinize the forms submitted by the client thoroughly and cross check the details with various documents obtained like source of income. If required, ask for any additional details like salary slips, etc. to satisfy yourself whenever there is a doubt.
- vi. It is verified that the client is not from High-risk and other monitored jurisdictions notified by Financial Action Task Force.
- vii. 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 Cross verification with UNSC sanction list available on <https://scsanctions.un.org/consolidated/> RBI Defaulters Database available on www.cibil.com can be checked.
- viii. Keep watch on the welcome kits returned with reason - undelivered. Business Head should be alerted, client be contacted immediately on telephone and the trading, if suspected, should be suspended

8. RISK BASED APPROACH

We should accept the clients based on the risk they are likely to pose. The aim is to identify clients who are likely to pose a higher than average risk of money laundering or terrorist financing. For this purpose, we need to classify the clients as low risk, medium risk and high risk clients. By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high risk client we have to apply higher degree of due diligence. The factors of risk perception depend on client's location, nature of business activity, turnover, nature of transaction, manner of payment etc.

While dealing with clients in high risk countries where existence/effectiveness of money laundering control is suspect, we shall independently access and consider other publicly available information, apart from being guided by the Financial Task Force (FATF) statements that identify countries that do



not or insufficiently apply the FATF Recommendations, published by the FATF on its websites <https://www.fatf-gafi.org/>.

9. RISK ASSESSMENT

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

Category A	Low Risk	are those pose low or nil risk. They are good Corporate / HNIs who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares belonging to blue chip companies or high growth stocks and have sound knowledge and study of the markets. They are also those clients who have been trading with us for 5 years or more and whose payment and delivery is always on time. Clients dealing in Futures & Options segment and who believe in maintaining extra credit balances or 100% cash as margin money are dealt in this category.
Category B	Medium Risk	are those who are intraday clients or speculative clients. Clients who tend to deal more in Futures and Options segment only though they may be accurate in payment of margins are classified in this category. These are the clients who maintain running account with CFS. Clients who tend to rotate delivery based mid-cap or small-cap stocks are also in this category as these stocks are volatile in nature.
Category C	High risk	are those who have defaulted in the past, have suspicious background, do not have any financial status, etc. Clients who trade intra-day and deal at more than one brokerage house and have many Bank Accounts to our knowledge. Such clients also have cheque bouncing history. Clients of Special Category as given in Para 10.2 above are also sometimes classified in this Category.

We have to be careful while monitoring the transactions of B category clients and extremely careful in case of C category clients to identify any suspicious activities

- Apart from this we need to exercise extra caution while monitoring the transaction of NRI/NRE/PIO and foreign clients, especially when the payment is being made in foreign currency.
- Any change in the risk profile of the client / mandate holder, has to be ascertained by the concerned branch officials, and reported to the Business Head immediately.

CASH TRANSACTIONS:

All are requested not to accept cash from the clients whether against obligations or as margin for purchase of securities or otherwise. All payments shall be received from the clients strictly by account payee crossed cheques drawn in favour of CFS Financial Services Private Limited. The same is also required as per SEBI circular no. SMD/ED/IR/3/23321 dated November 18, 1993, SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003 and SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2018/113 dated July 12, 2018.



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

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

10. CLIENTS OF SPECIAL CATEGORY (CSC)

Such clients include the following:-

- (a) Non resident clients
- (b) High Net- worth Clients
- (c) Trust, Charities, Non – Government Organisational (NGO's) and Organisations receiving donations
- (d) Companies having close family shareholdings or beneficial ownership
- (e) Politically Exposed Person (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 the subsequent para 7.2 of this Policy 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 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 reputed to 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.
- (h) Non face to face clients
- (i) Clients with dubious reputation as per public information available.

11. SUSPICIOUS TRANSACTIONS MONITORING AND REPORTING

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

11.1 REASONS FOR SUSPICIOUS:

- a. Identity of client:
 - i. False identification documents
 - ii. Identification documents which could not be verified within reasonable time
 - iii. Non face to face client
 - iv. Clients in high-risk jurisdiction
 - v. Doubt over the real beneficiary of the account
 - vi. Accounts opened with names very close to other established business entities
- b. Suspicious Background
 - i. Suspicious background or links with criminals



- c. Multiple Accounts
 - i. Large number of accounts having a common parameters such as common partners / directors / promoters / address/ email address / telephone numbers introducer or authorized signatory
 - ii. Unexplained transfers between such multiple accounts.
- d. Activity in Accounts
 - i. Unusual activity compared to past transactions
 - ii. Use of different accounts by client alternatively
 - iii. Sudden activity in dormant accounts
 - iv. Activity inconsistent with what would be expected from declared
- e. Nature of Transactions
 - i. Unusual or unjustified complexity
 - ii. No economic rationale or bonafied purpose
 - iii. Source of funds is doubtful
 - iv. Purchases made on own account transferred to a third party through an off market transactions through DP account
 - v. Transactions reflect likely market manipulations
 - vi. Suspicious off market transactions
- f. Value of Transactions
 - i. Value just under the reporting threshold amount in an apparent attempt to avoid reporting
 - ii. Large sums being transferred from overseas for making payments
 - iii. Inconsistent with the clients apparent financial standing
 - iv. Inconsistent in the payment pattern by client

11.2 WHAT TO REPORT

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

12. FINANCIAL INTELLIGENCE UNIT (FIU) –INDIA

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

FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIN-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.

12.1 WHEN TO REPORT TO FIU

In terms of the PMLA rules, brokers and sub-brokers are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND
Financial Intelligence Unit-India



6th Floor, Hotel Samarat,
Chanakyapuri, New Delhi -110021
Website: <http://fiuindia.gov.in>

Report	Description	Due Date
CTR	All cash transactions of the value of more than Rs.10 Lakhs or its equivalent in foreign currency	15th day of the succeeding month
	All series of cash transactions Integrally connected to each other which have been valued below Rs.10 Lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month.	15th day of the succeeding month
CCR	All cash transactions were forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions*	Not later than seven working days from the date of occurrence of such transaction*
STR	All suspicious transactions whether or not made in cash	Not later than seven working days on being satisfied that the transaction is suspicious*
NTR	Non Profit Organization Transaction Report	Not later than seven working days on being satisfied that the transaction is suspicious*

STOCK BROKERS SHALL NOT ACCEPT CASH FROM THEIR CLIENTS:

All payments shall be received / made by the stock brokers from / to the clients strictly by account payee crossed cheques/ demand drafts or by way of direct credit into the bank account through electronic fund transfer, or any other mode permitted by the Reserve Bank of India. The stock brokers shall accept cheques drawn only by the clients and also issue cheques in favour of the clients only, for their transactions. Stock Brokers shall not accept cash from their clients either directly or by way of cash deposit to the bank account of stock broker.

13. APPOINTMENT OF A DESIGNATED DIRECTOR AND PRINCIPAL OFFICER FOR REPORTING OF SUSPICIOUS TRANSACTIONS

In terms of Rule 2 (ba) of the PML Rules, CFS has appointed Mr. Chandra Shekhar Chaudhry as the Designated Director to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules. The Designated Director will ensure filing of necessary reports with the Financial Intelligence Unit (FIU –IND).

CFS has appointed Mr. Chandra Shekhar Chaudhry as the Principal Officer. The Principal officer appointed would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions. Principal Officer shall undertake the following activities:

- Compliance of the provisions of the PMLA and AML Guidelines.



- ii. Act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions.
- iii. Ensure that CFS discharges its legal obligation to report suspicious transactions to the concerned authorities.
- iv. CFS shall also evaluate whether there is any suspicious transaction and accordingly consult the regulatory authority, in determining whether to freeze or close the account.
- v. CFS shall be cautious to ensure (upon receipt of notice from regulatory authorities such as EOW, Police, Income Tax) that it does not return securities of money that may be from suspicious trades as alleged by the relevant regulatory authority. CFS shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading

In case any further information / clarifications are required in this regard, the Principal Officer may be contacted:

**Mr C S Chaudhry, Director,
CFS Financial Services Pvt. Ltd**

**F-12, Green Park Main,
New Delhi – 110016**

Tel: 011 – 40502714; Email: csc@cfstradecity.in

14. MAINTENANCE, PRESERVATION AND RETENTION OF RECORDS

CFS shall maintain all records and documents prescribed under the applicable laws, rules, regulations, byelaws, circulars and guidelines etc. The officials shall ensure that the records are kept in an easily accessible manner so that it shall be available as and when required by the relevant authorities.

- 14.1 CFS shall take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such 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 as amended, have to be maintained and preserved for a period of five years from the date of transactions between the client and CFS.
- 14.2 CFS shall formulate and implement the client identification procedure (CIP) containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. Further, 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 CFS has ended or the account has been closed, whichever is later.
- 14.3 All necessary records on 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 thereunder as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars. Further, Records on client identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence shall also be kept for the same period.
- 14.4 In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.



- 14.5 CFS shall maintain and preserve the record of information related to transactions, whether 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 CFS.
- 14.6 The identification documents and other details should be periodically updated either on quarterly or annually, including all documents, data or information of all clients and beneficial owners collected under the customer due diligence process, and that customer due diligence process shall be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).
- 14.7 Changes required in client bank details and address details pursuant to requests received in properly filled modification form with sufficient proofs should be incorporated in records/database and the same to be retained with client identification documents.
- 15. MONITORING OF TRANSACTIONS**
- 15.1 All persons associated with operations, risk management and back office operations, either Broking or DP shall take due care and report any transaction which is felt to be of suspicious nature on any ground, shall alert the Principal Officer through his immediate reporting authority. The following illustrations would explain the basic approach.
1. *Unusually large transactions / patterns which appear to have no economic purpose.*
 2. *Off market transactions with other beneficiary account holders having no reasonable grounds.*
 3. *Clients whose identity verification is difficult or clients that appear not to cooperate*
 4. *Substantial increase in activity without apparent cause*
 5. *Sudden activity in dormant account*
 6. *Suspicious off market transactions*
 7. *Large deals at prices away from the market*
 8. *Large number of accounts having common parameters such as common partner/ directors/ addresses, email address, telephone number/ introducers or authorized signatories.*
 9. *Unusual unique client code change activity with no proper justification in respect of market trades*
 10. *Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;*
 11. *Clients based in high risk jurisdictions;*
 12. *Substantial increases in business without apparent cause;*
 13. *Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;*
 14. *Attempted transfer of investment proceeds to apparently unrelated third parties;*
 15. *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.*
 16. *All suspicious off market transactions other than those appearing in Depository alerts.*
- 15.2 High value transactions shall be identified for review by appropriately authorized back office executive and any transaction of suspicious nature shall be immediately intimated to Principal Officer.
- 15.3 The officials associated with front desk and risk management and back office shall ensure that
1. All sub-brokers/authorized persons/clients are given a limit on either mark to market loss, gross exposure etc. parameters based on their balances available with the CFS. The sub-brokers /authorized persons shall be responsible for deciding trading limits for their respective clients.
 2. No cash transactions with the client to be undertaken.



3. Cheques and securities received from client shall have to be from his pre-declared bank account and demat account. In case on non-compliance, shares or moneys, as the case may be, be returned to the account from where it has come from and the relationship terminated after closing out all transactions in accordance with provisions in this regard.
 4. Illiquid contracts in F&O segments shall not be allowed to all clients.
- 15.4 Clients of high risk countries shall be subject to appropriate counter measures, in respect of 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. CFS shall endeavor to conduct ongoing due diligence and scrutiny, 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 CFS and its sub-broker's /authorized person's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds.
- 15.5 CFS shall ensure expeditious and effective implementation of the procedure laid down in the UAPA Order dated 27 August 2009 regarding prevention of certain unlawful activities of individuals and associations and for matters connected therewith.
- 15.6 Where upon receipt of the updated list of designated individuals / entities either from SEBI or Exchange or depositories, CFS shall comply with the provisions of SEBI circular ISD/AML/CIR-2/2009 dated 23 October 2009 including freezing/ unfreezing of financial assets, economic resources or related services and intimate to relevant authorities.
- 15.7 The internal audit or compliance function shall also endeavor to ensure compliance with the policies, procedures, and controls relating to the 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, of their responsibilities in this regard. Further, the internal audit function shall be independent, adequately resourced and commensurate with the size of business and operations, organization structure, number of clients and other such factors.
- 16. EMPLOYEE'S HIRING AND TRAINING**
- 16.1 Hiring of Employee**
CFS shall have adequate screening procedures in place to ensure high standards when hiring employees.
- 16.2 Employees' Training**
We conduct employee training program so that our members of the staff are adequately trained in Anti Money Laundering Policy (AML) and Combating Financing of Terrorism (CFT) procedures. Our training specifically focused on Frontline Staff, Back Office Staff, Compliance Staff, Risk Management Staff and Staff Dealing with new clients.
- 17. INVESTOR EDUCATION**
We collect documents, periodically, as evidencing source of funds / income tax returns / bank records etc. At the collection of these documents we educate the clients about the objectives of the Anti Money Laundering Policy (AML) and Combating Financing of Terrorism (CFT) framework.



REVIEW OF THE POLICY:

The Board of Directors in their meeting held on 08.11.2019 reviewed the aforesaid policy in view of SEBI vide master circular no. SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2018/ 104 dated July 04, 2018 and mentioned that the policy is further subject to review from time to time in line with regulatory requirements.

The Board further reviewed the policy on 08.01.2020, in view of SEBI vide master circular no. SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/ 113 dated October 15, 2019 regarding guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT)/ Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under and decided that PMLA policy of CFS shall be read with provisions of recent SEBI master Circular dated October 15, 2019.