

PATEL WEALTH ADVISORS PVT. LTD.

"OXYGEN", M/2/3, GAURAV PARK, OPP: PRADHYUMAN ROYAL HEIGHTS,
NEAR NEEL DA DHABA, KALAWAD ROAD, RAJKOT - 360005. GUJARAT - INDIA.

Policy and Procedure of Patel Wealth Advisors Pvt. Ltd.(PWAPL) to prevent money laundering - in the light of SEBI circular ISD/AML/CIR-1/2010 DT: 12.02.2010

1) Background.

- 1.1 In pursuance of the recommendations made by FATF (Financial Action Task Force) to prevent and stamp out money-laundering activities, SEBI has come out with AML (Anti Money Laundering) standards vide notification number ISD/C1R/RR/AML/1/06 DT: 18.01.2006 and vide circular number ISD/AML/CIR-I/2010 DT: 12.02.2010. These SEBI guidelines require intermediaries to put in place policy framework to ensure complete integrity in respect of intent of money and money-related transaction being put through by them.

2) What is Money Laundering?

- 2.1 Money Laundering is nothing but a transaction or a series of transactions undertaken with a view to switching around proceeds received or earned from unlawful activities and/or to concealing the true identity of the person/entity who has earned such proceeds. Financial institutions and intermediaries have been largely used by criminal and terrorist outfits to launder money for their unlawful activities. A financial intermediary must therefore institute measures at (a) Client induction level (b) Transaction level and (c) Surveillance level in order to combat money laundering for unlawful activities.

3) Prevention of Money Laundering Act 2002 (PMLA 2002).

- 3.1 PMLA 2002 forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and rules notified there under came into force with effect from July 1, 2005.
- 3.2 PMLA 2002 and rules framed there under impose an obligation on intermediaries (including stock brokers and sub-brokers) to verify identity of clients, maintain records and furnish information to Financial Intelligence Unit (FIU) INDIA.

4) Financial Intelligence Unit (FIU) INDIA.

- 4.1 The Government of India set up Financial Intelligence Unit-India (FIU-INDIA) on November 18, 2004 as an independent body to report to Economic Intelligence Council headed by Finance Minister.
- 4.2 FIU-IND has been established as a nodal national agency for receiving, processing, analyzing and disseminating information relating to suspicious transactions. FIU-IND is responsible for co-ordinating and enhancing efforts of national and international intelligence and enforcement agencies that are tasked with the responsibility to detect and deter money laundering and related crimes.

5) Policy of Patel Wealth Advisors Pvt. Ltd. (PWAPL).

- 5.1 PWAPL has therefore resolved that it would institute measures to detect and deter money laundering and shall, therefore, devise a framework to report suspicious transactions to FIUIND in adherence to the guidelines of PMLA Rules, 2002. This policy is applicable to PWAPL employees, Sub-brokers and Authorized Persons.

6) Objective of the guideline.

- 6.1 The purpose of this document is to instruct and educate employees of PWAPL and its associates about the efforts needed on their part to detect and deter money laundering and/or terrorist financing activities. It shall be the responsibility of all employees of PWAPL and associates to ensure that their efforts do live up to the spirit and intent of requirements spelt out in Prevention of Money Laundering Act 2002.



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6.2 Not all the measures spelt out herein may be applicable to all the people, associates and situations. Each person/entity should consider carefully the special situation of its business, type of customer and transaction to ensure that the measures initiated for detecting and deterring money-laundering are adequate and appropriate.

7) Implementation of this Policy.

7.1 Mr. Minish M. Patel – whole time director shall be the Principal Officer responsible for:

- a) Compliance of the provisions of PMLA and AML guidelines.
- b) Acting as a central reference point for identification and assessment of suspicious Transactions.
- c) Ensuring that PWAPL discharges its obligation to report suspicious transactions to FIU-IND and other designated authorities.

7.2 Central aspect of the policy is Customer Due Diligence which is aimed at.

- a) Obtaining sufficient information about a client in order to identify who is actual beneficial owner of the asset or on whose behalf the transaction is being conducted.
- b) Verifying customer's identify using reliable information, data and/or document.
- c) Conducting on-going scrutiny of client's account and the pertinent transactions to verify that the transactions are consistent with client's financial status.

7.3 Customer Due Diligence process comprises the following three specifics.

- a) Policy for Acceptance of clients.
- b) Client identification procedure.
- c) Suspicious Transactions identification and its reporting.

8) Customer Acceptance Policy.

8.1

- a) Each client should be met in person: Accept clients who we are able to meet in person. Either the client should visit our office or sub-broker or authorized person or the concerned staff should visit the client at his/her residence/office address, to get the necessary documents filled in and signed. It should be a preferred practice to accept clients who live within the jurisdiction of the office and/or sub-broker or authorized person. In case of sub-broker/authorized person clients, the clients' signature must be invariably verified by the introducing sub-broker/authorized person.
- b) Accept clients to whom we can apply KYC standards: The KYC form must be signed by the client wherever the client signature is required. The form should carry the necessary details. All photocopies of documents must be verified against the originals.
- c) Do not accept clients with known criminal antecedents and conviction record: Persons with known criminal and conviction record must not be accepted as clients.
- d) Exercise extra care while accepting clients of special category: Exercise utmost circumspection while accepting special category clients like NRIs, HNIs, Trust, Charities, Politically Exposed Person (PEP), persons of foreign origin and closely held companies.
- e) Identification of beneficial ownership: As part of due diligence measures for non individual customers, sufficient information must be obtained in order to identify persons who beneficially own or control the client account. Wherever beneficial owners are distinct and different from apparent owners identification proof and address proof of beneficial owners must be obtained and kept with KYC. Beneficial owner is the natural person or persons who ultimately own, control or influence the apparent client.



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- f) No relaxation for submission of mandatory information/documents: Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines.

8.2

Customer Identification Procedure (for new clients) Objective: To have a mechanism in place to establish identity and address of the client to prevent opening of any account which is fictitious/benami/anonymous in nature.

8.2.1 Documents which can be relied upon:

- a) PAN Card: PAN Card is mandatory and is most reliable document and its genuineness can be independently verified through IT website.
- b) Identity Proof: PAN Card itself can serve as proof of identify. However, in case PAN Card carries an old photograph of the holder, which does not match the current facial features of the client, we should take other identity proof in the form of Voter's Identity Card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card.
- c) Address Proof: For valid proof, we can rely on Voter's Identity Card, Passport, Bank Statement, Aadhar Card, Ration Card and latest Electricity/Telephone Bill in the name of the client.

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

- a) In case of individuals, one copy of the following documents has to be obtained.
 - 1) PAN is mandatory, verify its genuineness with IT website and cross verify the PAN Card Copy with the original.
 - 2) Other proofs of identity are Voters' Identity Card, Passport, Ration Card or any other Government/PSU/Bank issued photo identity card or any other document prescribed by regulatory authorities.
 - 3) 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 regulatory authorities.
- b) In case of corporates, one certified copy of the following documents must be obtained:
 - 1) Copy of Registration/Incorporation certificate.
 - 2) Copy of Memorandum & Articles of Association.
 - 3) Copy of corporate PAN Card.
 - 4) Copy of PAN Card and DIN (Director Index Number) of all directors.
 - 5) Copy of the latest audited Annual Accounts of the corporate.
 - 6) Latest ITR (Income Tax Return).
- 7) Board Resolution for opening the client account with PWAPL and appointing an authorized person for opening, operating and closing the client account. If the authorized person is some-one other than the directors, the PAN Card and address proof (duly self-certified) by the authorized person.
- c) In case of partnership firm, certified copies of the following must be obtained.
 - 1) Registration certificate.
 - 2) Partnership Deed.
 - 3) PAN Card of Partnership firm.
 - 4) PAN Card of all partners.



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- 5) Address Proof of Partnership firm - Latest telephone bill or electricity bill or bank account statement (mentioning the address) or any other Govt. or Govt. body issued document showing address.
- 6) Authorization/Resolution for the person authorized to open/operate the account. If the authorized person is other than the partners, PAN Card and address proof (duly self-attested) of the authorized person.
- 7) Latest audited annual accounts of the firm.
- 8) Latest ITR (Income Tax Return) of the firm.
- d) In case of trust, certified copies of the following must be obtained:
 - 1) Registration Certificate in case of Charitable/Public Trust.
 - 2) Trust Deed.
 - 3) PAN card of the Trust.
 - 4) PAN card of all the trustees.
 - 5) Address proof of the Trust - Latest Telephone bill/Electricity bill or bank account statement (mentioning the address) or any other Govt. or Govt. body issued document showing address.
 - 6) Authorization/Resolution for the person authorized to open/operate the account. If the authorized person is other than the trustees, PAN Card and address proof (duly self-attested) of the authorized person.
 - 7) Latest audited annual accounts of the Trust.
 - 8) Latest ITR (Income Tax Return) of the Trust.
- e) In case of unincorporated association or body of individuals, the following documents must be obtained:
 - 1) Copy of constitution of the association duly stamped and signed.
 - 2) Copy of PAN card of the association.
 - 3) Address proof of the association - Latest Telephone bill, Electricity bill or bank account statement (mentioning the address) or any other Govt. or Govt. body issued document showing address.
 - 4) Resolution of the managing body of such association/body of individuals for opening, operating the account.
 - 5) Address list and signatories of individuals constituting such association/body.
 - 6) Copy of Power of Attorney in favor of person authorized to transact for association.
 - 7) List of authorized signatories names, PAN, address and photographs (with each photograph signed across by the respective person) duly attested by association under its stamp and signature.
- f) In case of NRI account-repatriable/non-repatriable, the following documents are required:

[Note: In case of NRI account (both repatriable and non-repatriable), it is our policy to require our NRI client to appoint a resident individual as the Power of Attorney holder to operate the NRI's trading and demat accounts. The purpose is that in case of any query or violation, we should be able to pursue it with a person who is locally accessible]

 - 1) Photocopy of passport duly self-attested.
 - 2) Photocopy of PAN card duly self-attested.
 - 3) Photocopy of Residence Permit of the foreign country where NRI is resident.
 - 4) PIS (Portfolio Investment Scheme) permission letter from the bank.

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- 5) Photocopy of the statement of bank account (which is mentioned in the PIS permission) duly self-attested.
- 6) A cancelled cheque of the aforesaid bank account of the client.
- 7) Copy of Instrument of Power of Attorney executed by the NRI in favor of local resident.
- 8) Client Master of NRI's demat account (which should be invariably opened under the classification NRI).
- 9) An NOC from the POA holder that he/she is willing to allow use of his/her address for correspondence by the NRI-client.

8.3 General Guidelines

- 1) Sub-brokers/Authorized Persons/Staff responsible for client identification should always verify the photocopies of documents against their originals. If found in order, the documents must be stamped, verified against originals and should carry the signature of Sub - brokers/Authorized Persons/Staff as the case may be.
- 2) The Account Opening Form (AOF) must carry the latest photograph of the client and the photograph must be signed across by the client.
- 3) The Financial Status of the client must be supported by his/her latest IT return and/or Financial Statement such as Balance Sheet, Profit & Loss Account or Net worth certificate duly attested by a Chartered Accountant.
- 4) The value of client transaction must be continuously verified against the client's gross annual income. We have fixed a ceiling of thirty times value of the latest gross annual income of the client for each segment (equity, equity derivatives and currency derivatives), and demat transactions at the transaction point subject to a monthly ceiling of seventy times of the latest gross annual income. That means if the client's latest annual income is say 'X', he/she would be allowed a value ceiling of 30X each for CM segment, Equity Derivatives, Derivative Segment and Demat Transaction subject to monthly ceiling of seventy times of the latest gross annual income. In case of the client exceeding the value ceiling of 30X at the transaction point or seventy times over a month period, the client should be asked to update his/ her financial status or else should be reported to FIU-IND in Suspicious Transaction Report. In case of the client failing to update the financial status and also give the above- said undertaking, the client should be reported in Suspicious Transaction Report to FIU-IND. In case the client has no such document to offer, the client must give a self-declaration as to assets, liabilities and gross annual income. This self-declaration shall be accepted as proof for client's financial status. The client must, therefore, steer clear of any mis-statement in this self-declaration.
- 5) The clients Financial Status must be updated once in a year in order to update the client's risk profile.
- 6) We are at liberty to probe client's financial source for his/her transactions being conducted through us. Such probe shall be undertaken by us, suo motto, in case of any doubt or misgivings on our part regarding the proportionality of client's dealings vis-à-vis his/her declared and known sources of income as furnished to us. To support our enquiry, we are empowered to invite from clients the details/information/data as deemed fit by us. Non-co-operation by the client with us in such inquiry shall result in client's account being frozen and being reported to FIU-IND.
- 7) For scrutiny/ background check of clients, we shall use websites such as www.watchoutinvestors.com, www.sebi.gov.in and www.cibil.com

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- 8) In case any communication sent to client to his/her address recorded with us is returned undelivered, we shall once again send it to the client under Registered-AD post. If it is again returned undelivered, the client's account shall be frozen by us and an intimation would be sent to the client to his/her recorded address of the act on our part of having frozen his/her account. For re-activating the account, the client will have to give us his/her reasons for return of the communication and in case of address-change, the change of address will have to be recorded by the client with us by giving proof of new address.
- 9) In case of clients of sub-brokers/authorized persons, the clients must be suitably introduced by relevant sub-broker/authorized person. For this, there is a format provided in our KYC.
- 10) In case of direct clients, a due diligence will be carried out by our designated employee of the veracity of client and his/ her address. The due diligence shall be recorded by the employee in client KYC. For this, a suitable format is provided in KYC.
- 8.4 In case of existing clients, if
- a) there is any negative change in client's financial status from what is given in KYC.
 - b) the client is not contactable/traceable at his/her recorded address.
 - c) the client is under any prohibitory order of any Govt./regulatory authority.
 - d) the client does not provide the additional information asked for the same should be brought to the notice of Compliance Head, who would in turn take it up with the Principal Officer to enable him to take an appropriate decision, including reporting of the client to FIUIND, New Delhi.

9) Risk Profiling of the client

9.1 We have identified three classes of risk, i.e. low-risk, medium-risk and high-risk, for the clients. The idea is to associate each client with a specific risk level and apply the PMLA procedures consistent with the risk-level identified.

- a) Low-Risk Client:
Individual resident client having furnished all required documentary proofs, declared Annual Gross Income supported by documentary proof and operating both trading and demat accounts under self-signature (that is without a Power of Attorney).
- b) Medium Risk Client:
 - i) Individual Resident client having furnished all documentary proof, declared Annual gross Income but without any support for income.
 - ii) Any individual resident client operating the account(s) either trading or demat or both under Power of Attorney.
 - iii) Any individual client having conviction record.
 - iv) All institutional clients such as companies, registered/unregistered trusts, Associations of Persons, Financial Institutions, NBFCs.
- c) High Risk Client:
 - i) All NRI and FII clients.
 - ii) All Politically Exposed Person/Entity clients or clients related to such persons and entities.
 - iii) All entities/individuals having been debarred by SEBI for three months or more but not under ban any-more.
 - iv) All individuals/entities convicted by a Court of Law under any financial scam/criminal conspiracy/infringement of Official Secrets Act/charge of spying for a foreign country or any other act against nation's integrity and sovereignty.

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9.2 We exercise extra caution while monitoring transactions of NRE/NRO/PIO clients, especially so, as the payment is received in foreign currency.

9.3 It befalls the sub-broker/authorized person to report to us any change in the risk-profile of the clients introduced by them.

9.4 Mandate Holder Policy.

a) It is possible that some individual clients might appoint a mandate holder. Normally trading account is opened in the name of various family members and one family member will hold the mandate. In case of NRI clients, there is invariably a POA/ Mandate in favor of a person residing in India.

b) In case of mandate holder, we establish the identity of the mandate holder by obtaining proof of identity and address.

c) We do not accept payment from the mandate holder in favor of client. All payments have to be received from client's bank account for which the POA holder may or may not have the mandate. Similarly pay-out cheques are issued only in the name of the client and not in the name of the mandate-holder.

10) Roles (Sales person/Sub-broker/Authorized person)

1) The Sales person/Sub-broker/Authorized person as the case may be should meet the client in person at least once at the client address before opening the account. In the process, he may reasonably verify the living standards, source of income, financial status etc. of the client and ensure that the details mentioned in the Account Opening Form (AOF) match with the ground-reality.

2) In case of a walk-in client, client's background, identity and financial status must be independently verified.

3) In case of sub-broker/authorized person clients, in-person verification of the client must be variably carried out by sub-broker/authorized person.

4) In case of the client appointing a mandate-holder, we obtain Proof of Identity and Proof of address of mandate-holder.

5) In case of an institutional client, there should be an enabling resolution/authorization to open client account and some-one should be duly authorized to operate the account on behalf of the client. Proof of Identity and address of the person authorized must be obtained as part of KYC-process.

11) Risk Management Team (RMT)

11.1 RMT gives exposure to clients based on margin made available by the client. RMT should ensure that no clean exposure is given to any client.

11.2 Monitoring of Transactions.

a) Scrutinize unusually large transactions like trades in shares involving quantity of 20,000 or more in a single day. Scrutiny is also required for trades if the clients have traded 25 % or more of the total exchange-volume.

b) Check trade log for indication of synchronized trades.

c) Check previous trading pattern of the client in that particular scrip.

d) Scrutinize bulk deal transactions by sample check - A bulk deal constitutes transaction in a scrip on each exchange) where total quantity of shares bought/sold is more than 0.5 % of the number of equity shares listed on the exchange.

e) If there is substantial increase in turnover in a dormant account, it should be brought to the notice of the Principal Officer. Check volume and pattern of trading in case of dormant account. Remain live to the movement of credit balances from dormant accounts.

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- f) RMT should keep a tab on clients with huge and regular losses and are however continuing to trade. RMT should remain live to the accounts from which fund transfers are being made to finance such losses. In case of any fund transfer from an account other than that of client, the client should be put on notice and Principal Officer should be immediately intimated.
- g) RMT should discern clients who book disproportionate profit/ loss by trading in illiquid derivative contracts/scrips.

11.3 Parameters for analyzing transactions

- 1) Analysis of top clients in terms of turnover: At the end of the financial year, top 50 clients in descending order of turnover should be identified and their financial status must be verified against the volume of their turnover. The focus of the scrutiny is to ascertain whether the client has supported his/her trading volume with fund transfers either as margin or as pay-in obligation from his/her account (which is mapped with us). In case of top 50 clients, the financial status must be updated and should be within the permitted value-ceiling for turnover vis-a-vis the declared annual gross income.
- 2) Analysis of trades in stocks priced at Rs. 10/- or less: On a daily basis we should analyze all the trades being carried out in aforesaid stocks to verify whether or not the clients' trades are genuine or done with any ulterior motive for price manipulation or creation of artificial trading volume.
- 3) Client concentration in particular scrips: Once in a fortnight, we should analyze the client's trading pattern to ascertain whether he/she is heavily trading in any particular low-priced stock. If so, scrutiny shall be further enhanced to pinpoint whether the client has done such trading for price-manipulation or creating artificial volume in the scrip. In cases where deemed fit, explanations shall be invited from clients regarding the motive for trading in the said scrips.
- 4) An analysis shall be carried out of client's total traded volume vis-a-vis the total traded volume of the exchange. Where the client's total traded volume exceeds 1% of the exchange total traded volume, we shall keep such clients under surveillance to further find out whether the client is making pay-in obligations from his/her account. If there are instances of client fulfilling pay-in obligations by giving cheques drawn on accounts other than self, we shall ask the client to prove that he has funded his traded volume from own corpus. Where the client fails to do so, we shall report the client in STR (Suspicious Transaction Report) to FIU-IND.
- 5) Trades shifted from one client to another: On a daily basis, we shall analyze the trades shifted from one client account to another, either during the market hours or after the market hours. The idea is to ascertain whether such transfers are carried out to hide the identity of beneficial owner, indulge in profit/loss transfer or to arbitrage the margin available in another client's account. We shall also analyze the frequency with which such transfers are happening between any two accounts and also the dealer terminal from which such client code mismatches are happening. The focus is to establish whether there is any cozy relationship between a dealer and a client or group of clients for motivating such transfers.
- 6) Analysis of trades of NRI/Foreign clients: NRI/Foreign clients trades shall be analyzed to verify whether the respective NRI/Foreign client is within the legally permissible ceiling announced by RBI for NRI/Foreign shareholding in the particular scrip. Where the NRI/ Foreign client is exceeding such limit either individually or collectively with other NRI/ Foreign clients, he/she shall be asked to pare down his/her shareholding to align the total foreign shareholding within the RBI-permitted ceiling.
- 7) Employee/sub-broker trades: Employee/sub-broker trades shall be scrutinized to ascertain whether such trades are done for any client/associate for any cash consideration. The trigger

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for such scrutiny shall be the employee/sub-broker undertaking voluminous transactions in the same scrip over and over.

8) Penny stocks subject to value/quantity restriction for purposes of trading: By way of good risk management practice and from a perspective of market integrity, we have put a cap of either 10000 shares or an order value of Rs.5,00,000, whichever is less, for buy and sell orders in illiquid scrips over a trading session. Chief Risk Manager is authorized to relax this cap on order quantity and value if he/she is satisfied that the client, by placing such an order, intends to buy/sell deliveries. However, the Chief Risk Manager shall exercise this prerogative on a very sparing basis with the utmost of circumspection.

9) Frequent changes in client details like bank account, demat account, address etc.: A monthly analysis of changes in client details shall be undertaken to identify clients who are making frequent changes and whether such changes are being made with an intent to hide or obfuscate the client-identity.

12) Role of a Channel Partner (sub-broker/Authorized Person)

12.1 A Channel Partner acts as a layer for risk-mitigation for the broker. The Channel Partner absorbs the risk generated by retail clients. Towards this end, we appoint Channel Partners only after such Channel Partners have given us a minimum deposit of Rs. 50,000/- per segment per Exchange. That means, if a Channel Partner would like to introduce clients for both CM and F & O segment, he/she would have to bring in a deposit of Rs.1,00,000/-. It is this deposit that acts as a cushion for the risk generated by orders placed by clients of the Channel Partner. The Channel Partner for his service receives a share from the brokerage earned on the retail clients introduced by him/her. However this deposit can be relaxed by the Management/Board of Directors/CEO, if deemed fit.

12.2 Monitoring of transactions in Channel Partner's account.

- 1) A background check of the intending Channel Partner shall be carried out by the Sales Person. Further, database of SEBI, RBI, CIBIL shall be used to ensure that the prospective Channel Partner does not figure in any of their lists either as a violator or defaulter.
- 2) Disproportionately high volume and value of transactions in the account of Channel Partner shall be a trigger for probe to ascertain that these transactions are not done for others. Though there is nothing illicit about a Channel Partner trading, such trading should not cause erosion of financial capacity of the Channel Partner.
- 3) When there are large-scale and high-volume-and-value off-market transfers from Channel Partner's demat account, it shall invariably be a trigger for probe. The probe shall be aimed at pinpointing whether or not such transfers are being made to individuals for whom the Channel Partner has undertaken deals in his own name.
- 4) It shall be the responsibility of Channel Partners to bring the provisions of the instant policy to the notice of their clients.

13) Role of Human Resource Department (HR Dept.)

13.1 The HR Dept. shall play a central role in hiring employees. The HR Dept. should have a screening procedure in place to ensure that people of dubious background and antecedents do not enter the workforce. "Know Your Employee" Form has been put in place to ensure that people of doubtful integrity do not get hired. The HR dept. shall also sensitize new employees to the provisions of PMLA Policy.

13.2 The company will subject employee accounts to the same AML (Anti Money Laundering) procedures as customer accounts under the supervision of HR Department.

14) Role of Business Head/Sales Person

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14.1 Being in field they have market intelligence about misdemeanors committed by market participants. They must, therefore, share such intelligence with Management and other Departmental heads in order that such potential mischief-makers do not enter into any dealings with any department of the company. Further, it also befalls them to ensure that such people are never introduced either as Channel Partners or as clients. The sales person shall undertake a due diligence process of any-one who is seeking to enroll as our Authorized Person/sub-broker. Such process of due diligence must be duly recorded on paper and handed over to Compliance Dept. who shall then keep it as part of record of the concerned Authorized Person/sub-broker. In case of direct clients the sales person shall be responsible for bringing to notice of the client the provision of the instant policy.

15) Role of Compliance Department

15.1 The Compliance Department shall ensure that

- a) KYC forms should invariably have undertaking from the client that he/she is not indulging in/associated with any money-laundering activity.
- b) All disclosure documents should have notice to the client intimating company's right to obtain and disclose any information about the client to competent authorities.
- c) New employees are properly briefed about the PMLA Policy.
- d) Regular training sessions are conducted to update employees about provisions in Prevention of Money Laundering Act.
- e) The PMLA Policy is drafted in the light of modifications/additions in Prevention of Money Laundering Act.
- f) Chief Executive Officer is briefed about updates to the policy in Prevention of Money Laundering Act.
- g) Legal challenges arising from the implementation of the policy are adequately addressed through resort to judicial process, if required.
- h) Training programs are conducted to sensitize employees and persons/sub brokers to Anti Money Laundering provisions and updates the PWAPL's PMLA policy is effectively implemented in entirety.

16) Role of Chief Executive Officer

The Chief Executive Officer shall cause the Board to review the policy minimum once in a year. However if there are any legislative changes in PMLA, the review and re-draft of the policy, the CEO shall place before the Board the revised policy along with a brief note of the legislative changes entailing such review. Such review resulting from legislative changes can take place even before the law is enacted. Further, the Chief Executive Officer can suo motto initiate changes in the Policy for better due diligence and such review has to be intimated to Board, who shall then pass an enabling resolution for incorporating the changes in the Policy.

17) Role of Internal Auditor

The internal auditor shall ensure that the provisions of PMLA are being adhered to by the company in all its operations. Aberrations, if any, noted by the Internal Auditor should be brought to the notice of Principal Officer/Chief Executive Officer. Unless those aberrations are corrected, the comments of internal auditor in the audit report should reflect the aberrations.

18) Cash Transactions

It is our policy not to accept cash from clients and associates in discharge of financial obligations. This policy of 'no-cash transaction' shall be strictly followed by all employees and Channel Partners. Channel Partners shall ensure that clients make direct payments into our client Bank Accounts by way of A/c Payee cheques drawn on their bank accounts, duly mapped with us.

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However, cash amounts from clients in discharge of their Demat Account dues (such as transaction charges, AMC, Clients Master modification charge, dematerialization request charge etc.) are accepted by us. Clients are given receipts for such cash amounts deposited with us.

19) Suspicious Transactions

19.1 The thrust of the present policy is to identify and nip in bud suspicious transactions and also take punitive/remedial measures against constituents indulging in such transactions. Before we can identify suspicious transactions, there is a need to define suspicious transaction. Suspicious transaction, whether or not made in cash, means a transaction which to a person acting in good faith, (1) gives rise to doubt that it may involve proceeds of crime and/or (2) appears to be made in circumstance of unusual/unjustified complexity and/or (3) appears to have no economic rationale or bonafide.

19.2 Reasons for suspicion

A. Identity of Client

- i) In case of client account being operated by Power of Attorney holder, frequent money/securities transfer from the account of the Power of Attorney holder to client account. This could mean that the beneficial ownership lies with someone other than the client. This could be a case of front-running.
- ii) Accounts having names closely resembling to those that appear in the SEBI banned list and/or SEBI defaulter list or UN list of terrorists or any such other list published by UN (pursuant to resolution 1267 of 1999 concerning Al-Qaida and Taliban and Associated individuals and entities) and/or Govt. of India.
- iii) Frequent non-delivery or return of communications sent to client at the address registered with us.
- iv) Frequent instances of Debit Instruction Slips getting rejected due to signature difference.
- v) Frequent changes in correspondence address of the client.

B. Client's background

- i) Conviction of client for criminal/civil offense.
- ii) Client being debarred or declared persona non-grata by regulatory authorities.
- iii) Client figuring in CIBIL's defaulter list or any other banned list published by national/international agencies.
- iv) Client not enjoying a reputation for fair dealing with associates.

C. Connected Accounts

Client accounts having common directors or common dominant promoter group, same shareholder, same address, e-mail id, correspondence address should be under watch. In case all such accounts suddenly start trading in the same scrips in enormous volume, it should be a trigger for further surveillance.

D. Dormant Accounts

Sudden spurt in volume of trades in dormant accounts should be a trigger for further probe. For the purpose of definition, a dormant account is an account which has not had any transaction for the past six months or more. It is our policy to obtain from the dormant account holder a re-activation request form in which the client spells out the reason for non-activity in the account for the past six months or more. Though we re-activate dormant accounts on special request, we should remain alive to sudden activity surges in accounts which were dormant not long before.



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E. Cross deals

Connected clients indulging in cross deals in the same scrip should prompt us to investigate whether it is a case of synchronized trading.

F. Large dealings in penny stocks before the announcement of corporate benefit and/or investment/divestment decision. Such dealings could be a result of the client dealing on the basis of inside information. If the same client or set of clients are found to be time and again doing such deals in penny stocks, put them on notice and invite explanation for such trading pattern. If not satisfied with explanation, report them to SEBI/FIU-IND.

G. Value of transactions

- i) Value just under the reporting threshold in an apparent attempt to avoid reporting.
- ii) Clients undertaking deals inconsistent with their declared financial status.
- iii) Block deals at inflated/deflated prices.

19.3 What to report?

- a) The nature of transaction
- b) The amount of transaction and the currency in which it was denominated
- c) The date on which the transaction was conducted
- d) The reason for suspicion

19.4 What to report?

In terms of PMLA rules, brokers and sub-brokers are required to report information relating to suspicious transactions to Director, Financial Intelligence Unit - INDIA (FIUIND), 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi - 110021 as per the details hereunder:

Report	Description	Due Date
CTR	All cash transaction of value of 10 Lakhs and more or its equivalent value in foreign currency	15 th day of the Succeeding month
CTR	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 transaction have taken place within a month	15 th day of the Succeeding month
CTR	All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or document has taken place facilitating the transactions.	Not later than seven working days from the date of occurrence of such transaction
STR	All Suspicious transaction whether or not made in cash	Not later than seven working days on being satisfied that the transaction is suspicious

20) Record keeping requirement

Records evidencing the identity of 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 PWAPL has ended or the account has been closed, whichever is later.

21) Role of Accounts Department

The accounts department shall ensure that the clients are making payments from the bank accounts which are mapped in their respective client masters. In case the clients are found making payments from bank accounts other than theirs or those that are not mapped with us, the same shall be intimated to risk management department who shall then take it up with the respective sub-broker/authorized person or the client to ascertain the reasons for the same. If the payment has been made from the client's own account but not mapped with us, an intimation shall be sent to the

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respective sub-broker/authorized person/client to get the same mapped with us thru the process of client master modification for which a format is available with the KYC Dept. In case the payment is found to have been made from a bank account which is not client's, the payment shall be returned to the same account from which the payment has been made. The Risk Management Dept. will then advise the compliance dept. to send out a suitable notice to the client asking for an explanation for using an alien account for payment purpose.

22) Principal Officer

In case any further information/clarification is required in this regard, the Principal Officer may be contacted at the address mentioned hereunder:

Minish M.Patel



Designated Director

Patel Wealth Advisors Pvt. Ltd.

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For the general notice of the public at large, the present policy is being displayed on our website.

