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Arcadia Share & Stock Brokers Pvt. Ltd.

MEMBER : NATIONAL STOCK EXCHANGE OF INDIA LTD. • BOMBAY STOCK EXCHANGE LTD.
DP-CENTRAL DEPOSITORY SERVICES LTD.

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ARCADIA SHARE AND STOCK BROKERS PVT LTD

EXTRACTS FROM POLICY

ON

ANTI MONEY LAUNDERING

March 20 2019

Date Of Last Review and Update : March 20 2019

1. INTRODUCTION

1. Money Laundering may be defined as cleansing of dirty money obtained from legitimate or illegitimate activities including drug trafficking, terrorism, organized crime, fraud and many other crimes with the objective of hiding its source and rendering it in legally usable form. It is any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources. The process of money laundering involves creating a web of financial transactions so as to hide the origin of and true nature of these funds.
2. Successful money laundering activity spawning yet more crime exists at a scale that can and does have a distorting and disruptive effect on economies, marketplaces, the integrity of jurisdictions, market forces, democracies etc. It is in short a cancer, existing for one purpose only, to make crime and illegal activity worthwhile.
3. The general assembly of United States adopted the political declaration and global program of action in 1990 in its worldwide drive against money laundering and also enjoined upon member states to adopt legislation and program against laundering on a national level. India enacted the prevention of Money Laundering Act, 2002. (Hereinafter referred to as 'Act'). The prevention of Money Laundering Act 2002 has come into effect from 1st July 2005. Necessary Notification / Rules under the said Act have been published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance, and Government of India.
4. Securities and Exchange Board of India (hereinafter referred to as SEBI) Vide its Circular Ref NO.: ISD/CIR/RR/AML/1/06 dated January 18,2006 laid down broad guidelines on Anti Money Laundering Standards. As per the Circular, all the intermediaries registered with SEBI under section 12 of the SEBI Act were advised to ensure that a proper policy framework on anti-money laundering measures was put in place. This was essentially in conformity with the prevention of Money Laundering Act, 2002 and the rules framed there under by SEBI.
5. Arcadia share & Stock Brokers Pvt Ltd being one such intermediary had in accordance with the above, in the Board Meeting Held on 10th August,2006 adopted a policy framework on anti-money laundering measures.
6. In the light of Circulars issued by National Stock Exchange of India Ltd (hereinafter referred to as "NSE") and Circulars issued by Bombay Stock Exchange Ltd. And circular issued by Central Depository Services Ltd continuation to the new circular of Securities and Exchange Board of India SEBI Circular No. ISD/AML/CIR-1/2009 dated September 01, 2009 has issued additional requirements to be fulfilled and clarifications with regard to existing requirements mentioned in the Master Circular on Anti Money Laundering (AML) issued vide SEBI circular no. ISD/AML/CIR-1/2008 Dated December 19, 2008.

8.Prevention of Money Laundering Act 2002

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

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

- To Prevent, combat and control money laundering.
- To confiscate and seize the property obtained from the laundering money.

To deal with any other issue connected with money laundering in India.

2. OUR PREVENTION OF MONEY LAUNDERING POLICY.

1. The purpose of this policy is to set out the prevention of money laundering commitments and obligations for Arcadia Share & Stock Brokers Pvt Ltd. This policy is based on the provision of the “prevention of Money Laundering Act, 2002 and circular issued by SEBI and exchanges thereof”.
2. This internal policy sets out and establishes governing principles, broad guidelines and standards to be adopted by the Companies in order to protect the Companies from being used by any person to launder money.
3. Policy objectives
 - To protect the Company from being used for money laundering
 - To follow thorough “Know Your Customer” (KYC) policies and procedures in the day-to-day business.
 - To take appropriate action, once suspicious activities is detected, and make report to designated authorities in accordance with applicable law / laid down procedures.
4. To comply with applicable laws as well as norms adopted internationally with reference to Money Laundering.

3. THE MONEY LAUNDERING PROCESS.

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

1. Placement – This is where the criminal proceeds are first-injected into the system. It is also the stage where those who are educated, briefed and alert to the process of money laundering, have the best chance of detecting what is happening and are thus best able to thwart and disrupt the process at the outset.

At this stage, very often larger amounts of money are divided and distributed into smaller amounts to avoid suspicion and then paid into a series of bank accounts, arose to purchase securities, or life policies or other assets, sometimes many kinds of assets, all to achieve the prime purpose of being able to inject the tainted money or value into the legitimate mainstream financial/business system. Eg. A criminal having huge crime proceeds in form of cash, can deposit this cash in bank accounts maintained with different banks, in the name of his relatives, friends and associates, in small amounts.

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

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

3.2) Section 3 of the prevention of Money Laundering Act, 2002 defines the offences or laundering. In terms, of this section whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of an offence of money laundering.

3.3) The terms proceeds of crime have been defined under section 2(u) of the Act viz:

“Any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property.”

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

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

Transactions relating to proceeds of crime like converting its form

3.4) Concealment of the original transaction and/or creating ghost transactions from concealing actual transactions.

E.g. possessing Benami Property, Unexplained cash credits, unexplained expenditure, bogus or fictitious accounts, unexplained investments.

4. APPLICABILITY

4.1) The prevention of Money Laundering Policy applies to Arcadia Share & Stock Brokers Pvt Ltd.

In terms of rules framed under the Act, inter alia, every intermediary shall

1. Maintain a record of all transactions, the nature and value of which may be prescribed, whether such transactions comprise of single transaction or a series of transactions integrally connected to each other, and where such series of transaction take place within a month;

2. Furnish information of transactions referred to in Clause (a) to the Director within such time as may be prescribed;
3. Verify and maintain the records of the identity of all its Clients, in such a manner as may be prescribed

As per provision of section 2 (n) of the Act term “intermediary” means:

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

5 identity and current address or addresses including permanent address or addresses of the client, the nature of business of the client and his financial status; provided that where it is not possible to verify the identity of the client at the time of opening an account or executing any transaction, the banking company, financial institution and intermediary, as the case may be, shall verify the identity of the client within a reasonable time after the account has been opened or the transaction has been executed.

Under these circumstances the Act, applies to Arcadia Share & Stock Brokers Pvt Ltd.

4.2) Suspicious Transactions

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

4.3) Criteria in relation to defining

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

1. Complex / unusually large transactions / patterns which appear to have no economic purpose.
2. Client having suspicious background or links with known criminals
3. Clients whose identity verification seems difficult.

For Example:

- i. False identification documents
- ii. Identification documents which could not be verified within reasonable time
- iii. Non face to face client
- iv. Doubt over the real beneficiary or the account
- v. Account opened with names very close to other established business entities

4. Client appears not to co-operate.
5. Use of different accounts by Client alternatively.
6. Sudden activity in dormant accounts
7. Multiple account
 - i. Large number of account having a common account holder, authorized signatory with no rationale
 - ii. Unexplained transfers between multiple accounts with no rationale
8. Asset management services for clients where the sources of funds is not clear or not in keeping with the clients' apparent standing/business activity
9. Substantial increase in business without apparent cause (Unusual activity compared to past transactions)
10. Activity materially inconsistent with what would be expected from declared business
11. Inconsistency with client apparent financial standing
12. Any account used for circular trading
13. Unusual transactions by Client of special Category (CSCs) and business undertaken by shell corporations, offshore banks/financial services, businesses reported to be in the nature of export-import of small items
14. A transaction which gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime.
15. A transaction which appears to be a case of insider trading
16. Transactions reflect likely market manipulations
17. Suspicious off market transactions
18. Value or transaction just under the reporting threshold amount in an apparent attempt to avoid reporting
19. Inconsistency in the payment pattern by the client
20. Trading activity in account of high risk clients based on their profile, business pattern and industry segment
21. Account based as 'passed through'. Where no transfer of ownership of securities or trading is occurred in the account and the account is being used only for funds transfers / layering purposes.
22. Large deals at prices away from the market
23. Suspicious off market transactions
24. Purchase made in one client's account and later on transferred to a third party through off market transactions through DP Accounts;
25. Multiple transactions of value just below the threshold limit specified in PMLA so as to avoid possible reporting;

5. Policy of Arcadia Share & Stock Brokers Pvt Ltd

5.1 Arcadia Share & Stock Brokers Pvt Ltd has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place frame – work to report cash and suspicious transaction to FIU as per guidelines of PMLA rules 2002

5.2 The Money Laundering Policy should be reviewed and updated at least once in a year.

6 Implementation of this policy

6.1 Mr. Antony Sequeira, Director – Stock Broking will be the Principal Officer who will be responsible for

- Compliance of the provision of the PMLA and AML Guidelines
- Act as central reference point and play an active role in identification & assessment of potentially suspicious transaction
- Its legal obligation to report suspicious transactions to the concerned authorities

6.2 The main aspect of this policy is the Customer Due Diligence process which means:

- Obtained sufficient information about to the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted.
- Verify the customer's identity using reliable, independent sources document, data or information.
- 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.

6.3 The customer Due Diligence process includes three specific parameters:

- Policy for Acceptance of client
- Client identification procedure
- Suspicious Transactions Identification & reporting

7. Customer Acceptance Policy

7.1

- **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 his residence / office address to get the necessary documents filled in and signed. Preferably accept client who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client.
- **Accepts client 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 client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. Ensure that the 'Know Your Client' guidelines are followed without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchange are obtained and verified
- **Do not accept clients with identity matching persons known to have criminal background**: Check whether the client's identify matches with any person having known criminal background or is not banned in any other manner, whether in terms or criminal or civil proceedings by any enforcement/regulatory agency worldwide

- **Be careful while accepting clients or 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/ownership, companies dealing in foreign currency, shell companies, overseas entities, client in high risk countries, non face to face clients, clients with dubious background as per public information available. Current/Former Head of State, Current/Former senior high profile Politician, Companies offering foreign exchange, etc.) or clients from high – risk countries) like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/frauds level is high (like Nigeria, Burma, etc). Scrutinize minutely the records / document pertaining to clients belonging to aforesaid category

- **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 on an anonymous basis.

- **Do not compromise on 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. 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.
 - **Check for Criminal Back ground and Banned :** The name of the client and or PAN Number should be checked for Criminal Background or is banned in any other manner, Whether in terms of Criminal or Civil Proceedings by any enforcement agency worldwide. www.watchoutinvestors.com and SEBI debarred entities list may be used to check the background of potential clients

- **Enhanced/additional due dilligence for Clients termed as special category of Customers ,high and medium risk clients :** Take adequate measures to establish where the person's wealth and the funds involved in the business relationship come from. Demonstrate understanding of the origin of funds to be received throughout the relationship. In practice that means the activity from which the funds are ultimately derived, e.g. the customer’s business activities or sale of assets. Carry out stricter ongoing monitoring of the business relationship. Make sure that only senior management gives approval for all activities in the account.

7.2 Customer Identification Procedure (FOR NEW CLIENTS)

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

7.2.1 Documents which can be relied upon:

- **Pan card :** PAN card is mandatory and is most reliable document as only one card is issued to an individual and we can independently check its genuineness through IT website.
- **Aadhar Card:** Aadhar Number is most reliable document as only one Aadhar is issued to an individual.

- INDEITY Proof: PAN Card itself can serve as proof of identity. However, in case PAN card carries an old photograph of the holder, which does not match current facial features of the client, we should take other identity proof in form of Voter's Identity card, Passport, Ration Card or any Government/PSU/ Bank issued photo identity card.
- ADDRESS Proof: For valid address proof we can rely on Voter's identity Card, Passport, Bank Statement, Ration Card and latest Electricity/telephone bill in the name of the client.

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

a. In case of individuals, one copy of the following documents have to be obtained:

- 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 or verification]
- Other proofs for identity are 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.
- 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.

b. In case of corporate, certified the following documents must be obtained:

- Copy of the Registration/Incorporation Certificate
- Copy of the Memorandum & Articles of the Association
- Copy of the PAN card and the Director Index no . (DIN)
- Copy of the latest audited Annual Statements of the corporate client ○ Latest net worth certificate ○ Latest Income Tax return filed.
- Copy of Latest Share holding Pattern

c. In case of partnership firm one certified copy of the following must be obtained:

- Registration certificate
- Partnership Deed
- PAN card of partners
- Authorization letter for the person authorized to open and operate the account ○ Proof of identity and address of the authorized person.
- Annual statement/returns of the partnership firm

d. In case of a Trust, one certified copy of the following must be obtained:

- Registration Certificate
- Trust Deed

- Pan card
- Authorization letter for the entity authorized to act on their behalf
- Officially valid documents like PAN card, voter Id, Passport, etc person (s) authorized to transact on behalf of the Trust.

e. In case of unincorporated association or a body of individuals, one certified copy of the following must be obtained:

- Resolution of the managing body of such association or body of individuals
- POA in favour of person authorized to transact
- Officially valid documents like PAN card, voter Id, passport, etc of the person (s) authorized to transact
- Any document required 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

7.2.3 Identification of Beneficial Ownership

A. For clients other than individuals or trusts:

Where the client is a person *other than an individual or trust*, viz., company, partnership or unincorporated association/body of individuals, identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

- a. The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

Explanation: Controlling ownership interest means ownership of/entitlement to:

- i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
 - ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
 - iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.
- b. In cases where there exists doubt under clause 4 (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

- c. Where no natural person is identified under clauses 4 (a) or 4 (b) above, the identity of the relevant natural person who holds the position of senior managing official.

B. For client which is a trust:

5. Where the client is a *trust*, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

C. Exemption in case of listed companies:

6. 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.

7.3 CLIENT IDENTIFICATION PROCESS:

The following precautions will have to be taken in order to ascertain that accounts are not misused by the clients or by any third parties for money laundering activities:

1. We should obtain sufficient information about the client and identify actual beneficiary of transactions or on whose behalf transactions are conducted.
2. Verify client's identity
3. We will register clients as per SEBI/BSE/NSE guidelines and will develop appropriate reporting system to monitor client's trades.
4. We shall periodically update all documents, data or information of all clients and beneficial owners collected under CDD process provided the client provides the information.

5. We shall ensure that maker-checker facility is in place for all its operation as a risk management measure as well as to increase efficiency. In case of mismatch of signature/s on PAN and the AOF, HJSPL shall ask for an alternate proof of identity bearing client's signature as put on AOF or bank verification of the signature.

7.3.1 Enhanced Due diligence for PEP Clients

1. In case a new client is Politically Exposed Person (PEP) or a new client is a relative of PEP then such client activation must be done only after getting prior approval of Compliance Officer. Compliance Officer's approval will also be taken when an existing client become PEP at later stage.
2. Take adequate measures to establish where the person's wealth and the funds involved in the business relationship come from.
3. Carry out stricter ongoing monitoring of the business relationship.
4. Make sure that only senior management gives approval for all activities in the account.

7.3.2 Risk Assessment

We shall carry out risk assessment to identify, assess and take effective measures to mitigate money laundering and terrorist financing risk with respect to our clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc. The risk assessment shall also take into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions these can be accessed at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and <http://www.un.org/sc/committees/1988/list.shtml>).

The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The assessment shall be documented, updated regularly and made available to competent authorities and self-regulating bodies, as and when required.

7.3.3 Reliance on third party for carrying out Client Due Diligence (CDD)

We may rely on a third party for the purpose of (a) identification and verification of the identity of a client and (b) determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and recordkeeping requirements in line with the obligations under the PML Act.

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. Further, it is clarified that the registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

8. Risk Profiling of the client

8.1 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.

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

- Category A – Low Risk
- Category B – Medium Risk
- Category C – High Risk
- Category D - Clients of Special Category (CSC)

8.2.1 Category A client are those pose low. .

Low risk clients are those who are likely pose low or nil risk as per the PMLA policy. Individuals and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile may be categorized as low risk. They can be following:

1. Salaried Individuals.
2. Corporate which are providing financial details of last two years and identity of the beneficial owner is disclosed.
3. Government employees and government owned companies.
4. HNI's who have respectable social and financial payments.
5. Businessman whose identity and source of wealth is easily identified and who is complying with maximum KYC disclosures.
6. Clients which have been introduced by brokers/branch managers and they have known them personally and have faith in their genuineness.

8.2.2 Category B Medium Risk

Customers that are likely to pose medium risk may be categorized as medium risk such as:

1. Persons in business/industry or trading activity where the area of his residence or place of business has a scope or history of unlawful trading/business activity.
2. Where the client profile of the person/s opening the account, according to the perception of the branch is uncertain and/or doubtful/dubious.
3. Clients delegating authority of operation of their trading & beneficial accounts to any of their immediate family members.

8.2.3 Category C High Risk

1. Entities into foreign exchange business.
2. High Net-worth individuals whose identity and source of wealth is difficult to identify.
3. Trusts, charities, and NGOS,

5. Politically Exposed Persons (PEPs)
6. Those with dubious reputation as per public information available, etc.
7. Clients in high risk countries as announced by appropriate authority from time to time

8.2.4 The following Clients will be classified as Category D – Clients of Special Category

- Non-resident Clients
- High net-worth Clients, these individuals defined as having investable finance in excess of Rs. 10 Crores.
- Trust, Charities, Non-Governmental Organizations (NGOs)
- Companies having close family shareholdings or beneficial ownership;
- 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.
- Companies offering foreign exchange offerings
- 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 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;
- Non face to face Clients;
- Clients with dubious reputation as per public information available and as listed in www.watchoutinvestors.com.
- Clients whose name appears in the UNSCR List;
- Firms with sleeping partners; and
- Unlisted companies and unregistered firms.

8.3 We have to be careful while monitoring the transactions of B and C category clients.

8.4 Apart from this we need to exercise extra caution while monitoring the transactions of NIR/NRE/PIO and foreign clients, especially when the payment is being made in foreign currency.

8.5 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.

9. Suspicious Transactions

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.

9.1 What is a Suspicious Transaction: Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith-

- Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- Appears to be made in circumstance of unusual or unjustified complexity; or
- Appears to have no economic rationale or bona fide purpose

Reasons for suspicious:

- Identity of client
 - False identification documents
 - Identification documents which could not be verified within reasonable time
 - Non-face to face client
 - Client in high-risk jurisdiction
 - Doubt over the real beneficiary or the account
 - Accounts opened with names very close to other established business entities □ Receipt back of well-come kit undelivered at the address given by the client.
 - Having known criminal background
 - Is not banned in any other manner, whether in terms of Criminal or civil proceedings by any enforcement agency worldwide

The identity of clients for banned and criminal background may checked in www.watchoutinvestors.com and SEBI debarred entities List.

- Suspicious Background
 - Suspicious background or links with criminals
- Multiple Accounts
 - Large number of accounts having a common parameters such as common partners /directors / promoters / address / email address / telephone numbers introducer or authorized signatory □ Unexplained transfers between such multiple accounts.
- Activity In Accounts
 - Unusual activity compared to past transactions
 - Use of different accounts by clients alternatively
 - Sudden activity in dormant accounts
 - Activity inconsistent with what would be expected from declared business s □ Account used for circular trading

- Nature Of Transactions
 - Unusual or unjustified complexity
 - No economic rationale or bonafied purpose
 - Source of funds are doubtful
 - Appears to be case of insider trading
 - Purchase made on own account transferred to a third party through an off market transactions through DP account
 - Transactions reflect likely market manipulations
 - Suspicious off market transactions

- Value of Transactions
 - Value just under the reporting threshold amount in an apparent attempt to avoid reporting
 - Large sums being transferred from overseas for making payments
 - Inconsistent with the clients apparent financial standing
 - Inconsistency in the payment pattern by client.
 - Block deal which is not at market price or prices appear to be artificially inflated / deflated.

- The nature of transactions
- The amount of the transaction and the currency in which it was denominated
- The Date on which the transaction was conducted; and
- The parties to the transaction
- The reason for suspicion
- Utmost confidentiality should be maintained in respect of reported transactions
- Arcadia will not put any restriction on operations in the accounts where STR has been made.
- The officers, Directors and employees of Arcadia are prohibited from disclosing the fact that STR has filed.

Procedures for Reporting

1. The alters will be sent to Senior officer
2. The Senior Officer will analyze the alter and if found genuine then forwards the same to Principal Officer
3. The principal officer again analyze and further reports to FIU.

10 Record Keeping

- All record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made thereunder, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars should be kept as prescribed.
- Arcadia will ensure that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, they should retain certain records, e.g. client identification, account files, and business correspondence, for periods

which may exceed those required under the SEBI Act, Rules and Regulations framed thereunder PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

- Continuously monitor the following record of transactions
 - All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
 - All series of cash transactions integrally connected to each other which have been valued below Rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
 - All cash transactions where forged or counterfeit currency notes
 - All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

11 Information to be maintained

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

- I. The nature of the transactions;
- II. The amount of the transaction and the currency in which it is denominated;
- III. The date on which the transaction was conducted
- IV. The parties to the transaction.

12 Retention of Records

- All physical records will be scanned and stored electronically for quick retrieval of data as and when requested by the competent authorities and will maintain for five years.
- 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 intermediary has ended or the account has been closed, whichever is later.
- All necessary records on transactions, both domestic and international, will 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.
- We shall maintain and preserve the record of documents evidencing the identity of its clients and beneficial owners (e.g., copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later..
- In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, will be retained until it is confirmed that the case has been closed.
- We 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 the intermediary.

13 List of Designated individuals / Entities

An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established

pursuant to various United Nations' Security Council Resolutions (UNSCRs) should be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>. Arcadia Will ensure that accounts are not opened in the name of and one whose name appears in said list. Arcadia shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list should immediately be intimated to SEBI and FIU-IND.

14 Procedure for freezing of funds, financial assets or economic resources or related services

The Government is empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. The obligations will followed by Arcadia to ensure the effective and expeditious implementation of said Order has been issued vide SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009, will be complied with carefully.

Procedure to be followed with SEBI Debarred entities

1. Download the list from SEBI site
2. Match the PAN Numbers with existing client PAN Numbers
3. If the PAN Number is matched then the account should be frozen.

15. Employees' Hiring/Employee's Training/ Investor Education

15.1 Hiring of Employees

Employees are hired based on the recommendation and reference of existing employees . No Walk in employees are preferred.

All Employee's KYC documents are kept on record

15.2 Employees' Training

Arcadia will train their staff on Money laundering policy. A PPT will be emailed to all staff Whenever there is review of Money Laundering policy a copy will be mailed to all Staff .

15.3 Investors Education

Arcadia will train all Branch Staff on Money Laundering and instruct them to educate investors on Money Laundering . A copy of the Policy and PPTS are kept on the website for Investor Education .

16.1 Appointment of a Designated Director

Mrs. Jean Sequeira Whole Time Director has been appointed as Designated Director .

16.2 Designated Principal Officer

In case of any further information / clarification is required in this regard, the "Principal Officer' may be contacted.

Mr. Antony Sequeira

Managing Director

Arcadia Share & Stock Brokers Pvt Ltd

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