



PCS Securities Ltd

Policy on Prevention of Money Laundering

Version 2.1

This is a confidential and proprietary document of PCS Securities Ltd. Any unauthorized use or copying of this document is prohibited. Permission of the Management must be obtained before taking copies or circulating this document.

INDEX

Sr.No	Particulars	Page No
1	Background	3
2	Statement of policy	3-4
3	The Objective	4
4	Definition of Money Laundering (ML)	4-5
5	Customer Due Diligence Measures	5
5.1	Policy for acceptance of clients	5-6
5.2	Risk Based Approach	6-8
5.3	Clients of special category (CSC)	8
5.4	Client identification procedure	8-10
5.5	Reliance on third party for carrying out Client Due Diligence (CDD)	10
6	Record Keeping/Retention of Records	10-11
7	Information to be Maintained	11
8	Monitoring of Transactions and reporting	11-12
9	Suspicious Transaction Monitoring & Reporting	12-13
10	List of Designated Individuals/Entities	13
11	Procedure for freezing of funds, financial assets or economic resources or related services	13-14
12	Reporting to Financial Intelligence Unit-India	14-15
13	Designation of an officer for reporting of suspicious transaction	15-16
14	Employees' Hiring/Training	16-23

1. Background: Money laundering is defined as disguising the source or ownership of illegally obtained/ gained funds/money to make them appear arising out of legitimate source or hiding money to avoid paying taxes and thereby converting black money into white money or using legally obtained money in pursuit of unlawful activities. Money laundering takes place in three phases. The first phase is placement when bulk cash is deposited into banking system or pumped into any legitimate system using funds from illegal activities. The Second phase is layering where multiple transactions are used to separate the proceeds from their illegal source. The third phase is integration where these illegal funds are mixed with apparently legitimate business earnings.

2. Statement of Policy

Most developed countries (including Australia, Hong Kong, Singapore, Taiwan and the UK) have laws making it a criminal offence for a company or an individual to assist in the laundering of the proceeds of serious crime.

The Prevention of Money Laundering Act, 2002 ("PMLA") was brought into force with effect from 1st July 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on July 01, 2005 by the Department of Revenue, Ministry of Finance, Government of India. Pursuant to amendments made to the PMLA and Rules thereunder, updated guidelines in the context of recommendations made by Financial Action Task force (FATF) on anti-money laundering standards is enclosed. These guidelines have been divided into two parts; the first part is an overview on the background and essential principles that concern combating Money Laundering (ML) and Terrorist Financing (TF). The second part provides a detailed account of the procedures and obligations to be followed by all registered intermediaries to ensure compliance with AML/ CFT directives. These guidelines shall also apply to their branches and subsidiaries located abroad, especially, in countries which do not or insufficiently apply the FATF Recommendations, to the extent local laws and regulations permit. When local applicable laws and regulations prohibit implementation of these requirements, the same shall be brought to the notice of SEBI.

The Firm conducts its business in conformity with all laws and regulations of the jurisdictions in which it transacts business. In order to ensure that the Firm meets its legal obligations, employees of PCS Securities Ltd (hereinafter called the "PCS") must be mindful of the problem of money laundering and constantly vigilant for signs of such activity. Every effort must be made to "know" and verify the identity of the Firm's customers, to be aware at all times of what might constitute a suspicious transaction or suspicious counterparty behavior, to adhere to appropriate account opening and record-keeping procedures, and to observe PCS procedure for reporting suspicious circumstances to Management, Compliance and the relevant authorities.

Recognizing and combating money laundering: "Know Your Customer" The types of transactions which may be used by a money launderer are almost unlimited, making it difficult to define a suspicious transaction. It is, however, reasonable to question a transaction which may be inconsistent with an investor's known, legitimate business or personal activities or with the normal business for that type of investor. Hence, the first key to recognition is to "know your customer". **Employees should be sensitive to potential warning signs of money laundering.** When establishing a relationship, maintaining a relationship or providing services, especially when dealing with a client infrequently, all reasonable steps must be taken to determine, to verify where necessary, and to remain apprised of the identity, financial position and business objectives of the client. Client

identification must be carried out before any dealing takes place and the Firm's account opening form must be completed and processed for every new account.

3. The Objective

The objective is to have in place adequate policy, practice and procedure that promote professional standards and help the Company to be prevented from being used, intentionally or unintentionally for money laundering. KYC Standards and AML Measures would enable the Company to know/ understand its customers, the beneficial owners in case of non-individual entities, the principals behind customers who are acting as agents and their financial dealings better which in turn will help the Company to manage its risks prudently.

4. Definition of Money Laundering (ML)

ML is the processes by which criminals attempt to disguise the true origin of the proceeds of their criminal activities by the use of the financial system so that after a series of transactions, the money, its ownership and the income earned from it appear to be legitimate. According to Financial Action Task Force (FATF), ML is the processing of criminal proceeds in order to disguise their illegal origin.

This process is often achieved by converting the illegally obtained proceeds from their original form, usually cash, into other forms such as deposits or securities and by transferring them from one financial institution to another, using the account of apparently different persons or businesses.

Section 3 of PMLA, describes the offence of ML as under:

“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 offence of money-laundering.”

Money Laundering Cycle

The process of ML, regardless of its degree of complexity, is accomplished in three stages, namely the placement stage, layering stage and integration stage.

- (i) **Placement Stage**
This involves the physical movement of the cash proceeds. For most criminal transactions, cash is the most common medium of exchange and criminals who accumulate large volumes of cash are the most vulnerable to detection and seizure. As a result, money launderers will attempt, through placement, to channel the funds into a bank.
- (ii) **Layering Stage**
After the funds enter a bank, the money launderer will further separate the illicit proceeds from their illegal source through a process of layering. Layering occurs by conducting multiple, complex, financial transactions that make it difficult to link the money to an illegal activity. Layering disguises or eliminates the audit trail.
- (iii) **Integration Stage**
During this process the money launderer will integrate the illicit funds into the economy by providing what appears to be a legitimate explanation for his or her illicit financial wealth.

For example, integration of these proceeds might include the purchase of real estate, businesses, securities, automobiles or gems & jewellery. Integration moves the funds back into the economy with the appearance of being normal business earnings. It would become extremely difficult at this point for a bank to distinguish between illicit funds and legitimate funds.

5. Customer Due Diligence Measures:

The PCS shall review the information obtained about the customer and apply appropriate customer due diligence (CDD) standards on given change in the risk categorization of the customer. All documents, data or information of all clients and beneficial owners collected under the CDD process shall be updated periodically. The PCS shall review the KYC profile of its customers on regular intervals. If there is a change in the profile of the customer identified based on set criteria for instance, sudden change in the transaction pattern etc. of the customer, the PCS shall review the KYC details of the customer on the identification of such event, even though the same is before the review period.

The review of the customer shall include a review of any change in the customer details i.e address, business/ profession, nature of business, change in ownership, change in governing body/ directors etc.

The CDD process should necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT)

- It is duty of every client manager/client owner to satisfy himself about the financial soundness and investment objectives of client.
- Portfolio/Investment size/order sizes are commensurate with annual income disclosed by client
- Verify sources of fund disclosed by clients
- Maintain continuous familiarity and follow up with clients where any inconsistency in the information is provided.
- Back office members should immediately inform Operations head/ Accounts head who in turn will inform Principal Officer about any transaction which is inconsistent with client regular trading activity or if funds and securities are coming from account other than account specified by client or if they receive request to transfer fund or security to account other than designated account.
- Never make client aware of your suspicion.

5.1 Policy for acceptance of clients:

- No account should be opened in fictitious name/benami name
- Customer should be physically present or it can be done through Web Camera / OTP confirmation in case of E-KYC at the time of account opening
- Verify proof of Identity and address from original
- Bank verification
- Interview client
- Employer/Establishment certificate
- No account should be opened for client for whom no due diligence can be done by atleast one of the employee
- Don't open account to clients who does not cooperate to provide basic details

- Don't open account for client who has even been convicted of offence involving moral turpitude or any criminal offence or has any criminal background
- It is statutorily required to provide details of clients to authorities, who fails to provide satisfactory evidence of identity
- Proper identity of the person should be established.
- Capturing Identity and Address of the Introducer with Supporting Documents.
- Financial Proof Mandatory for Derivatives Segment.
- Declaration from Client that no action has been taken by SEBI or any other Regulatory Authority for the past 3 Years.
- Verification of Pan from IT Site for name, pan number and any remarks
- Verifying client name in www.watchoutinvestors.com (for Debarred Entity).

Corporate Accounts

- Proof of Identity – Company PAN Card copy and also the PAN copies of all the directors or the PAN copy of the authorized officials.
- Company Details – Memorandum of Articles and Association duly attested by the company official.
- Board Resolution - With Common Seal on Company's Letterhead
- Balance sheet for last 2 years with SARAL Copy
- Share holding pattern list of stakeholders having above 5% stake in the Company as on date on its letter head.
- Director's name and address as on date on Company's Letterhead.
- Latest Company net worth certificate from C A.
- All directors' photographs affixed with their signatures across the photos and giving the full details of the directors as per the format available in the application form.
- A copy of IT Returns of the authorized person/persons.

5.2 Risk Based Approach

5.2.1 Continuous Due Diligence:

- It is duty of every client manager/client owner to satisfy himself about the financial soundness and investment objectives of client.
- Every client owner/ sales person should carry on independent grading of his/ her client on periodical basis (say 18 or 12 months) and intimate Compliance department of his finding highlighting adverse change in grading
- Portfolio/Investment size/order sizes are commensurate with annual income disclosed by client
- Verify sources of fund disclosed by clients
- Maintain continuous familiarity and follow up with clients where any inconsistency in the information is provided.
- Back office members should immediately inform Operations head/ Accounts head who in turn will inform Principal Officer about any transaction which is inconsistent with client regular trading activity or if funds and securities are coming from account other than account

specified by client or if they receive request to transfer fund or security to account other than designated account.

- Never make client aware of your suspicion

5.2.2 Classification of Clients-

Clients are categorized on various grounds like client's location (registered office address, correspondence addresses and other address if any applicable, nature of business activity, trading turnover etc and manner of making payment for transactions undertaken. Broadly speaking clients can be specified in following three categories.

Low risk clients:

Low risk client includes clients who satisfy following criteria, one who provides all documents at the time of account opening without any delay.

- Resident of India
- Proofs verified with originals
- Provides income proof
- Providing two or more references
- No delegation of authority for operation of account
- Always provide securities and funds in time
- Places order within reasonable period of time
- Turnover in line with Financials.

Grouping Parameters

Remarks	Risk Category
1. Low Turnover with Financial Income	Low
2. Govt Employees	Low
3. House Wife	Low
4. Retired Employees	Low
5. Agriculture	Low

Medium risk client:

Any client who cannot be comfortably placed in neither in Low risk nor in high risk category.

Grouping Parameters

Remarks	Risk Category
1. Cheque bounce (One Time Only)	Medium
2. Medium Turnover financial income	Medium
3. Brokerage Firm Employees	Medium

High risk client:

Includes all clients mentioned under Special category of clients and any client against whom any order is passed by regulatory authorities or any investigation is launched which is pending Any client against whom any regulatory order is passed for accessing market then such client will automatically be black listed and no further trading should be done for those accounts.

Grouping Parameters

Remarks	Risk Category
1. Cheque bounce 50000/- or above (More than one time)	High
2. High Turnover with Low financial income	High
3. Advocates	High
4. Builders	High
5. Politicians	High
6. City (area) with Location disadvantage	High
7. Any large activity in Dormant Account.	High
8. Large number of off market transfers in his beneficiary a/c.	High
9. Suspicious Trades	High
10. Sudden High Activity in Dormant account	High
11. Political back ground family members	High
12. Unusually large transaction	High
13. Client is having suspicious background or link with known criminals	High
14. Clients whose identity verification seems difficult	High
15. Clients appears no to co-operate	High
16. Use of different accounts by client alternatively	High
17. Any account used for circular trading	High
18. Inconsistency in payments pattern by the client	High
19. Large deals at prices away from the market	High
20. Only selling in market from off market transfer	High

5.3 Clients of special category (CSC): Such clients include the following:

- a. Nonresident clients
- b. High net worth clients,
- c. Trust, Charities, NGOs and organizations receiving donations
- d. Companies having close family shareholdings or beneficial ownership
- e. Politically exposed persons (PEP) of foreign origin
- f. Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)

Further client once categorized as low risk client can be later categorized as high risk or vice versa depending on the nature of transactions and client behavior and client owner periodical report of his/her client.

5.4 Client identification procedure:

Obtain information to Identify persons who are beneficial owner of securities

- Spouse holding shares and registered holder has no justifiable source of income
- Opening of account in name of Minor, where minor does not have any income and routing major transactions through minor account instead of guardian account.

- Minor account can be opened only for investment purpose and not for speculation trading
- Account specifying Power of attorney holders
- For persons acting on behalf of client, proper verification of person's authority to act on behalf of client should be done.

Identification of Beneficial Ownership Policy:-

- With reference to SEBI Circular No: CIR/MIRSD/2/2013 dated January 24, 2013, the authorized official of the company should ensure to obtain as part of their client Due diligence policy, sufficient information from their clients in order identify of persons who ultimate beneficially owns or control the securities accounts. The beneficial owner as defined by SEBI means the natural person or persons who ultimately owns, control, or influenced a clients o on whose behalf's the transactions are been carried or conducted and includes a persons who ultimately effective control over a legal person or arrangements.
- We hereby state that in case of below mentioned Clients:-

A. Other than individuals or trusts:

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

ii. 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:

a. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;

b. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or

c. 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.

d. 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.

B. For client which is a trust:

Where the client is a *trust*, the Member 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:

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.

D. Applicability for foreign investors:

Members dealing with foreign investors' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012, for the purpose of identification of beneficial ownership of the client.

Further in case where no natural person is identified under clauses 1 (a) or 1 (b) above, the identity of the relevant natural person who holds the position of senior managing official should be obtained and kept on record.

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

PCS Securities 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 record-keeping requirements in line with the obligations under the PML Act and 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 PCS Securities shall be ultimately responsible for CDD and undertaking enhanced due diligence measures as applicable.

6. Record Keeping/ Retention of records

All documents should be preserved for **5 years** as per SEBI Act this includes books of accounts, agreements, duplicate copies of contract notes, recorded messages, order books.

Provided for active account documents like KYC, agreement, passports, PAN card copy, driving license, bank letter etc should be preserved permanently. **Further provided** that if any proceeding is pending against PCS Securities Ltd conducted by any authorities these documents should be preserved till the disposition of proceeding i.e. until it is confirmed that case is closed.

Provided further that in case account is closed if it was inactive for X no. of years then documents should be maintained for **5 years** from date of closure

For accounts which are frozen on our own account or on receiving order from authorities all document should be preserved until final disposition of case to the satisfaction of authorities.

- 6.1. Maintain records e.g. order slip or any piece of document which in future can help in reconstruction of individual transaction.
- 6.2. To provide audit trails to authorities for potential money laundering activities following information's should be retained for reasonable period of time:-
 - Beneficial owner of account
 - Volume of fund flowing through account
 - For selected transactions
 - The origin of funds;
 - Form in which fund was offered
 - All cash transactions of the value of more than 10 lakh or its equivalent in foreign currency, cheques etc.
 - Identity of person taking transaction
 - Destination of fund and securities
 - Form of instruction and authority

7. Information to be maintained:

Information to be maintain and preserve 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; and
- IV. the parties to the transaction.

8. Monitoring of Transactions and Reporting

- Any transaction of retail clients of value exceeding 10 lakhs should be reported to compliance department if it's an irregular transaction, transaction is irregular (i) if the size of order is not commensurate with client income level disclosed or if it's more than his usual order size. (ii) If the order is placed by dormant client i.e. order placed by client after a period of 1 year from his/her last transaction.
- Any transaction which does not make economic sense or is complex or unusually large should be immediately brought to the notice of respective head of department and Compliance department.
- All documents, slips, recordings etc. related to any suspicious transactions should be preserved as per record keeping policy.
- Value of the transaction not in proposition with the Financial income declared by the client.

- Any client dealing in the scrip and contributing more than 25% of the total quantity of that scrip in comparison with the total quantity traded in the exchange.
- Any matching transaction with in PCS bought by the client and sold by the client.
- Any large activity in dormant account.
- Any transaction/ order which arises the suspicion of any employee should be diligently and immediately informed to compliance department.
- List of black listed client and suspicious clients will be maintained for reference of employees. Whereas no trading should be done for clients mentioned in black list for trading of clients in suspicious list one has to be vigilant.
- All the persons who are debarred/warned by SEBI/Exchanges to access capital market will be black list clients or any client against whom firm has reported to authorities for alleged money laundering activities and matter is still pending before or order is given against client.
- Alerts generated by monitoring the transactions will be forwarded to the board and the board will decide it to report STR or not
- All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakh or its equivalent in foreign currency where such series of transactions take place within one calendar month
- All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as demat account, security account maintained by the registered intermediary.
- Two times of client annual income is considered as per our internal policy. Three times of client Net worth is considered as per our internal policy by default we have to consider 10 lakhs net worth and 5 lakhs annual income.

9. Suspicious Transaction Monitoring & Reporting

An illustrative list is provided below for reference of employees as what could be a suspicious transaction.

- Clients whose identity verification seems difficult or clients appear not to cooperate.
- All cash transactions of the value of more than 10 lakh or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued below ` 10 lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency.
- **All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non-monetary account such as demat account, security account maintained by the registered intermediary.**

- Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;
- Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
- Substantial increases in business without apparent cause;
- Unusually large cash deposits made by an individual or business;
- Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks /financial services, businesses reported to be in the nature of export-import of small items.
- Requests to transfer money or securities to third parties with or without any known connection to our customers.
- The transaction is not in keeping with the counterparty's normal activity.
- The transaction is unusual, e.g., with respect to normal market size and frequency.
- There is an unusual and unnecessary involvement of an intermediary.
- The transaction is not settled in the normal manner, e.g., an offer to settle in cash or settlement by registration or delivery of securities to a third party.
- Settlement is made by way of bearer securities from outside a recognized clearing system.
- Cash movements in and out of an account within a short period of time.
 - Cash transaction of value of Rs. 10 lacs
 - Cash transaction aggregating to 10 lacs within a calendar month's time.
 - Any other suspicious transaction whether made in cash or not.

Any suspicion transaction should be immediately notified to the Money Laundering Control Officer/Principal officer or any other designated officer within the intermediary. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it should be ensured that there is continuity in dealing with the client as normal until told otherwise and the client should not be told of the report/suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken.

10. 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) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>. PCS Securities Ltd ensures that accounts are not opened in the name of anyone whose name appears in said list. PCS is 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 shall immediately be intimated to SEBI and FIU-IND.

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

Section 51A, of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of Section 51A of the UAPA. Under the aforementioned Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction 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 Government is also further 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 to be followed by intermediaries 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, which needs to be complied with scrupulously.

12. Reporting to Financial Intelligence Unit-India

- In terms of the PML Rules, PCS is 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 Samrat,
Chanakyapuri,
New Delhi-110021.
Website: <http://fiuindia.gov.in>**

- PCS shall carefully go through all the reporting requirements and formats in prescribed as per SEBI Master Circular No.CIR/ISD/AML/3/2010 dated 31-12-2010. And SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2018/ 104 dated July 04th 2018 While detailed instructions for filing all types of reports are given in the instructions part of the related formats, PCS shall adhere to the following:
- The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion.
- The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND;

- Utmost confidentiality shall be maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address.
- No nil reporting needs to be made to FIU-IND in case there are no Cash/suspicious transactions to be reported.
- PCS shall not put any restrictions on operations in the accounts where an STR has been made. PCS Securities Ltd directors, officers and employees (permanent and temporary) shall be prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND.
- This prohibition on tipping off extends not only to the filing of the STR and/or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level.
- Audit trail for all alerts generated and reported to FIU, India to be maintained.
- SEBI Circular clarified that the registered intermediaries, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime.
- PCS 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. Designation of an officer for reporting of suspicious transaction

Principal Officer:

Principal Officer shall be responsible for reporting suspicious transactions to the authorities and in identification assessment of potentially suspicious transactions. In the absence of Principal Officer Head operations and Accounts shall be severally responsible for reporting and assessment in consultation with Director of the Company.

Designated Director:

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

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

The Managing Director or a Whole-time Director duly authorized by the Board of Directors if the reporting entity is a company,

In terms of Section 13 (2) of the PML Act (as amended by the Prevention of Money-laundering (Amendment) Act, 2012), the Director, FIU-IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of the intermediary to comply with any of its ML/CFT obligations. PCS shall communicate the details of the Designated Director, such as, name, designation and address to the Office of the Director, FIU-IND and any subsequent changes thereof.

14. Employees' Hiring/Training

a. Hiring Policy:

PCS would ensure adequate screening procedures when hiring employees. It would ensure that the employees dealing with PMLA requirements are suitable and competent to perform their duties.

b. Training policy:

Every employee must undergo Anti Money Laundering and CFT Procedures training within a week of joining firm. It is duty of every Departmental head to ensure that every new recruit and employee in his/her department have undergone aforesaid training. Further no candidate should be selected who has ever been convicted of offence under Money Laundering Act or any other civil or criminal Act.

c. Penalties:

Money laundering and the facilitation of money laundering (including the failure to report suspicious activities) are criminal offences under many laws under which PCS Securities Ltd and its employees have dealings. They may be punishable by lengthy imprisonment for individuals or a fine, or both. If an employee has any suspicions and report the suspicions about money laundering to the Compliance the employee will have fulfilled his/her obligations under the law. Rigorous adherence to the Firm's policies and procedures will help to protect the employee.

PCS shall review the policy periodically and make additions / modifications based on the requirements of the SEBI / Exchange Circulars / regulators.

List of key circulars/ directives issued with regard to KYC, CDD, AML and CFT

SCHEDULE I

S. No.	Circular Number	Date of Circular	Subject	Broad area covered
1.	SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2018/ 104	July 04, 2018	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	Standards and Combating the Financing of Terrorism
2.	SEBI/ HO/ IMD/ FIIC/ CIR/ P/ 2017/ 068	June 30, 2017	Acceptance of e -PAN card for KYC purpose	E-PAN issued by CBDT for KYC compliance by FPI
3.	SEBI/ HO/ MRD/ DP/ CIR/ P/ 2016/ 134	December 15, 2016	Master Circulars for Depositories	Opening of BO Accounts
4.	CIR/ IMD/ FPIC/ 123/ 2016	November 17, 2016	Review of requirement for copy of PAN Card to open accounts of FPIs	Verification and submission of PAN Card by FPI
5.	CIR/ MIRSD/ 120 / 2016	November 10, 2016	Uploading of the existing clients' KYC details with Central KYC Records Registry (CKYCR) System by the registered intermediaries	Time lines for registered intermediaries in respect of uploading KYC data of the new and existing individual clients with CKYCR
6.	SEBI/ HO/ IMD / DF3/ CIR/ P / 2016/ 84	September 14, 2016	Master Circular for Mutual Funds	Compliance with AML/ CFT CDD directives of SEBI stipulated in Master Circular dated September 14, 2016
7.	CIR/ MIRSD/ 66/ 2016	July 21, 2016	Operationalization of Central KYC Records Registry (CKYCR)	Authorization of Central Registry of Securitization and Asset Reconstruction and Security interest of India

				(CERSAI) for receiving, storing, safeguarding, retrieving the KYC records and
8.	CIR/ IMD/ FPI&C/ 59/ 2016	June 10, 2016	Know Your Client (KYC) norms for ODI subscribers, transferability of ODIs, reporting of suspicious transactions, periodic review of systems and modified ODI reporting format	Applicability of Indian KYC/AML norms for Client Due Diligence, KYC Review, Suspicious Transactions Report, Reporting of complete transfer trail of ODIs, Reconfirmation of ODI positions, Periodic Operational Evaluation
9.	CIR/ MIRSD/ 29/ 2016	January 22, 2016	Know Your Client Requirements - Clarification on voluntary adaptation of Aadhaar based e-KYC process	Client identification and authentication from UIDAI, Investment Limit and mode of payment to Mutual Funds, PAN verification, additional due diligence in case of material difference in information
10.	CIR/ IMD/ FIIC/ 11/ 2014	June 16, 2014	Know Your Client (KYC) requirements for Foreign Portfolio Investors (FPIs)	Process to be followed by DDPs to share the relevant KYC documents of FPIs with the banks and record of transfer of documents
11.	CIR/ MIRSD/ 1/ 2014	March 12, 2014	Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Obligations of Securities Market Intermediaries under the Prevention of Money laundering Act, 2002 and Rules framed there under	Consequential modifications and additions to Master Circular CIR/ ISD/ AML/ 3/ 2010 dated December 31, 2010 in respect of Risk Assessment, Reliance on third party for carrying out Client Due Diligence (CDD), Record keeping requirements, Records of information reported to the Director, Financial Intelligence Unit - India (FIU-IND), Appointment of a Designated Director
12.	CIR/ MIRSD/ 13/ 2013	December 26, 2013	Know Your Client requirements	Shifting of certain information in Section C of Part I to Part II of the AOF, information required to be captured in the systems of KRAs
13.	CIR/ MIRSD/ 09/ 2013	October 8, 2013	Know Your Client Requirements	Acceptance of e-KYC service launched by UIDAI as a valid process for KYC verification
14.	CIR/ MIRSD/ 07 / 2013	September 12, 2013	Know Your Client Requirements for	Partial modification to the provisions of circular No

			Eligible Foreign Investors	CIR/MIRSD/ 11 /2012 dated September 5, 2012, Classification of Eligible foreign investors investing under Portfolio Investment Scheme ('PIS') route as Category I, II and III
15.	CIR /MIRSD/ 4 /2013	March 28, 2013	Amendment to SEBI {(Know Your Client) Registration Agency} Regulations, 2011 and relevant circulars	Modification of circulars dated December 23, 2011 and April 13, 2012, to the extent of requirement for sending original KYC documents of the clients to the KRA
16.	CIR/ MIRSD/ 2/ 2013	January 24, 2013	Guidelines on Identification of Beneficial Ownership	Client Due Diligence to identify and verify the identity of persons who beneficially own or control the securities account for clients other than individuals or trusts and client which is a trust. Exemption in case of listed companies, Applicability for foreign investors and Implementation
17.	CIR/ MIRSD/ 01 /2013	January 04, 2013	Rationalization process for obtaining PAN by Investors	Verification the PAN of clients online at the Income Tax website
18.	CIR/ MIRSD/ 11/ 2012	September 5, 2012	Know Your Client Requirements	Clarifications for Foreign Investors viz. FIIs, Sub Accounts and QFIs w.r.t. implementation of SEBI circulars no. CIR /MIRSD/ 16/ 2011 dated August 22, 2011 and MIRSD/ SE/ Cir-21/ 2011 dated October 5, 2011 on know your client norms
19.	CIR/ MIRSD/ 09 / 2012	August 13, 2012	Aadhaar Letter as Proof of Address for Know Your Client (KYC) norms.	Admissibility of Aadhaar letter issued by UIDAI as Proof of Address in addition to its presently being recognized as Proof of Identity
20.	MIRSD/ Cir-5 / 2012	April 13, 2012	Uploading of the existing clients' KYC details in the KYC Registration Agency (KRA) system by the intermediaries	Process to avoid duplication of KYC, guidelines for uploading the KYC data of the existing clients, Schedule for implementation
21.	MIRSD/ Cir-	December	Guidelines in	Guidelines for Intermediaries,

	26 / 2011	23, 2011	pursuance of the SEBI KYC Registration Agency (KRA) Regulations, 2011 and for In-Person Verification (IPV)	Guidelines for KRAs, Guidelines w.r.t In-Person Verification (IPV)
22.	MIRSD/ Cir-23/ 2011	December 2, 2011	The Securities and Exchange Board of India (KYC Registration Agency) Regulations, 2011.	Centralization of the KYC records to avoid duplication of KYC process
23.	CIR/ MIRSD/ 22/ 2011	October 25, 2011	'In-person' verification (IPV) of clients by subsidiaries of stock exchanges, acting as stock brokers	Clarification w.r.t ultimate responsibility for 'in-person' verification
24.	MIRSD/ SE/ Cir-21/ 2011	October 5, 2011	Uniform Know Your Client (KYC) Requirements for the Securities Markets	Clarification w.r.t different KYC forms used by Market Intermediaries, Guidelines for KYC form capturing the basic details about the client and additional details specific to the area of activity of the intermediary being obtained
25.	CIR/ MIRSD/ 16/ 2011	August 22, 2011	Simplification and Rationalization of Trading Account Opening Process	Client account opening Process, Client Account Opening Form, Rights & Obligations of stock broker, sub-broker and client for trading on exchanges Uniform Risk Disclosure Documents, Guidance Note detailing Do's and Don'ts for trading
26.	CIR/ ISD/ AML/ 3/ 2010	December 31, 2010	Master Circular on AML/CFT	Anti - Money Laundering (AML) Standards/ Combating the Financing of Terrorism (CFT) / Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under
27.	CIR/ MRD/ DP / 37/ 2010	December 14, 2010	Acceptance of third party address as correspondence address	Capturing of address other than that of the BO as the correspondence address.
28.	CIR/ MRD/ DMS/ 13/ 2010	August 31, 2010	Guidelines on the Execution of Power of Attorney by the Client in favour of Stock	Clarifications on the Execution of the POA by the client

			Broker/ DP	
29.	CIR/ MRD/ DMS/ 13/ 2010	April 23, 2010	Guidelines on the Execution of Power of Attorney by the Client in favour of Stock Broker/ DP	Guidelines on the Execution of Power of Attorney by the Client
30.	CIR/ ISD/ AML/ 2/ 2010	June 14, 2010	Additional Requirements for AML/ CFT	Additional Requirements on retention of documents, monitoring, tipping off, updation of records and other clarifications.
31.	CIR/ ISD/ AML/ 1/ 2010	February 12, 2010	Master Circular –AML/ CFT	Framework for AML/ CFT including procedures for CDD, client identification, record keeping & retention, monitoring and reporting of STRs
32.	SEBI/ MIRSD/ Cir No.02/ 2010	January 18, 2010	Mandatory Requirement of in-person verification of clients.	In-person verification done for opening beneficial owner's account by a DP will hold good for opening trading account for a stock broker and vice versa, if the DP and the stock broker is the same entity or if one of them is the holding or subsidiary.
33.	ISD/ AML/ CIR-2/ 2009	October 23, 2009	Directives on CFT under Unlawful Activities (Prevention) Act, 1967	Procedure to be followed for the freezing of assets of individual or entities engaged in terrorism
34.	ISD/ AML/ CIR-1/ 2009	September 01, 2009	Additional AML/ CFT obligations of Intermediaries under PMLA, 2002 and rules framed	Additional AML/ CFT requirements and clarifications thereon
35.	ISD/ AML/ CIR-1/ 2008	December 19, 2008	Master Circular on AML/ CFT directives	Framework for AML/ CFT including procedures for CDD, client identification, record keeping & retention, monitoring and reporting of suspicious transactions.
36.	MIRSD/ DPSIII/ 130466/ 2008	July 2, 2008	In-Person verification of clients by stock-brokers	Responsibility of stock brokers to ensure in - person verification by its own staff.
37.	MRD/ DoP/ Cir-20/ 2008	June 30, 2008	Mandatory Requirement of PAN	Exception for certain classes of persons from PAN being the sole identification number for

				all participants trading in the securities market.
38.	F.No.47/2006/ ISD/ SR/ 122539	April 4, 2008	In-person verification of BO's when opening demat accounts	In-person verification to be carried out by staff of depository participant.
39.	MRD/ DoP/ Cir- 20/ 2008	April 3, 2008	Exemption from mandatory requirement of PAN.	Exemption for investors residing in the State of Sikkim from PAN being the sole identification number for trading in the securities market.
40.	F.No.47-2006 /ISD/ SR/ 118153/ 2008	February 22, 2008	In-Person verification of clients by depositories	Clarification on various topics relating to 'in person' verification of BOs at the time of opening demat accounts
41.	MRD/ DoP/ Dep/ Cir- 12/ 2007	September 7, 2007	KYC Norms for Depositories	Proof of Identity (POI) and Proof of Address (POA) for opening a Beneficiary Owner (BO) Account for non - body corporates
42.	MRD/ DoP/ Cir-05/ 2007	April 27, 2007	PAN to be the sole identification number for all transactions in the securities market	Mandatory requirement of PAN for participants transacting in the securities market.
43.	ISD /CIR/ RR/ AML/ 2/ 06	March 20, 2006	PMLA Obligations Of intermediaries in terms of Rules notified there under	Procedure for maintaining and preserving records, reporting requirements and formats of reporting cash transactions and suspicious transactions
44.	ISD/ CIR/ RR/ AML/ 1/ 06	January 18, 2006	Directives on AML Standards	Framework for AML and CFT including policies and procedures, Client Due Diligence requirements, record keeping, retention, monitoring and reporting
45.	SEBI/ MIRSD/ DPS - 1/ Cir-31/ 2004	August 26, 2004	Uniform Documentary Requirements for trading	Requirements Uniform KYC for trading documentary requirements for trading on different segments and exchanges
46.	MRD/ DoP/ Dep/ Cir- 29/ 2004	August 24, 2004	Proof of Identity (POI) and Proof of Address (POA) for opening a Beneficiary	Broadening the list of documents that may be accepted as Proof of Identity (POI) and/or Proof of Address

			Owner	(POA) for the purpose of opening a BO Account
47.	SEBI/ MRD/ SE /Cir- 33/ 2003/ 27/ 08	August 27, 2003	Mode of payment and delivery	Prohibition on acceptance/ giving of cash by brokers and on third party transfer of securities
48.	SMDRP/ Policy/ Cir- 36/ 2000	August 4, 2000	KYC Norms for Depositories	Documentary requirements for opening a beneficiary account.
49.	SMD/ POLICY/ CIRCULARS /5-97	April 11, 1997	Client Registration Form	Formats of client Registration Form and broker clients agreements
50.	SMD-1/ 23341	Nov. 18, 1993	Regulation of transaction between clients and members	Mandatory requirement to obtain details of clients by brokers.