

*Policy On Prevention Of Money Laundering Act
2002 Adopted by Ontrust*

Ontrust Capital Markets Private Limited (Ontrust) have designed policy of Prevention of Money Laundering Act (PMLA) and effective Anti Money Laundering (AML) programme to prohibit and actively prevent the money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities or flow of illegal money or hiding money to avoid paying taxes.

Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets. Maintenance of records of the nature and value of transactions to protect the interests of investors in securities and to promote the development of and to regulate the Securities Market.

This policy provides a detailed account of the procedures and obligations to be followed to ensure compliance with issues related to Know Your Client (KYC) Norms, Anti Money Laundering (AML), CLIENT DUE DILIGENCE (CDD) and Combating Financing Of Terrorism (CFT). Policy specifies the need for Additional disclosures to be made by the clients to address concerns of Money Laundering and Suspicious transactions undertaken by clients and reporting to Finance Intelligent Unit – India (FIU-IND). These policies are applicable to both Branch and Head office Operations and are reviewed from time to time.

Every possible measures are taken for the effective implementation of the Policy. The measures taken are adequate, appropriate and abide by the spirit of such measures and requirements as enshrined in the PMLA to the best of our satisfaction.

Background

Pursuant to the recommendation made by the Financial Action Task Force on Anti Money Laundering standards, the Central Government passed The Prevention of Money Laundering Act, 2002 (PMLA) and was made public through Gazette of India published by the Department of Revenue under the Ministry of Finance with effect from 1st July 2005.

As per the provision of the Act all the intermediaries registered under section 12 of the SEBI Act, 1992 shall have to maintain a record of all the transactions, the nature and value of which has been prescribed in the rules under PMLA. SEBI has also issued a circular no: ISD/QR/RR/AML/1/06 on January 18, 2006 to all intermediaries registered with SEBI under section 12 of the SEBI Act providing guidelines on Anti Money Laundering Standards.

PMLA has been further amended vide notification dated March 6, 2009 and inter alia provides that violating the prohibitions on manipulative and deceptive devices, insider trading and substantial acquisition of securities or control as prescribed in Section 12 A read with Section 24 of the Securities and Exchange Board of India Act, 1992 (SEBI Act) will now be treated as a scheduled offence under schedule B of the PMLA.

What is Anti Money Laundering?

Money Laundering can be defined as engaging in financial transaction that involve income derived from criminal activities, transaction designated to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/funds.

This is done in below mentioned three phase

1. Placement Phase

The launderer introduces his illegal profits into the financial system. This is done by :

- Breaking up large amounts of cash into less conspicuous smaller sums that are then deposited directly into a bank account
- Purchasing a series of monetary instruments (cheques, money orders, etc.) that are then collected and deposited into accounts at another location

2. Layering Phase

- The launderer engages in a series of conversions or movements of the funds to distance them from their source
- The funds might be channeled through the purchase and sales of investment instruments

3. Integration Phase

- Having successfully processed his criminal profits through the first two phases the launderer then moves them to the third stage, integration
- The funds re-enter the legitimate economy. The launderer might choose to invest the funds into real estate, luxury assets, or business ventures

Financial Intelligent Unit - India (FIU- IND)

The government of India set up Financial Intelligent Unit -India (FIU) on 18th November 2004 as an independent body to report directly to the Economic Intelligence council (EIC) headed by the Finance Minister.

FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transaction. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against Money laundering and related Crimes.

PMLA Guidelines :

The Central Government in consultation with the Reserve Bank of India has framed rules called the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (PMLA Rules).

SEBI has specified guidelines vide their circular ISD/CIR/RR/AML/1/06 dated January 18, 2006 & circular No ISD/AML/CIR-1/2008 dated December 19, 2008 for the intermediaries registered with SEBI u/s 12 of the SEBI Act. The guidelines have been framed under Rule 5 of PMLA Rules for maintenance of information in respect of transactions with its client referred to in rule 3 of PMLA Rules

SEBI in its circular ISD/AML/CIR-1/2009 Dated September 1, 2009 highlights the needs of more elaborate scrutinizing transactions of Special category clients and the requirements of checking updated list of Individuals and entities whose account has been freezed, and who are subject to various sanctions measures, from designated website, before opening of account of clients. Details of accounts bearing any resemblance to the list should be on priority basis reported to FIU.

Since Ontrust is an intermediary registered with SEBI u/s 12 of the SEBI Act, the Act is applicable to it and Ontrust and its representatives have to take steps as set out in guidelines issued by SEBI to discourage and identify any money laundering or terrorist financing activities.

While it is recognized that a “one- size- fits-all” approach may not be appropriate for the securities industry in India, each registered intermediary should consider the specific nature of its business, organizational structure, type of customers and transactions, etc. when implementing the suggested measures and procedures to ensure that they are effectively applied. The overriding principle is that they should be able to satisfy themselves that the measures taken by them are adequate, appropriate and follow the spirit of the measures and the requirements as enshrined in the Prevention of Money Laundering Act, 2002. (PMLA) .

Ontrust thereafter adopted principles in implementing the various provisions of the Act and the Rules framed there under so as to maintain compliance of the same. In order to compile the various activities of the company in line with the provisions of this Act, this policy has now been framed. The policy will be amended from time to time in line with the amendments made in the Act and the Rules framed there under and any other notifications and/or guidelines issued by SEBI.

The As per provisions of Act, the Company has to maintain a record of all the transactions, which include:

1. All cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.
2. All series of cash transactions integrally connected to each other, which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
3. 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.

It may, however be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' should also be considered.

Obligation to establish policies and procedures:

In light of the above, Ontrust and its representatives have to adopt appropriate policies and procedures for the prevention of money laundering and terrorist financing and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. The Board of Ontrust or any other person or a group of persons as may be asked by the Board will:

1. Ensure that the content of these Guidelines are understood by all staff members;
2. Regularly review the policies and procedures on prevention of money laundering and terrorist financing to ensure their effectiveness.
3. Adopt customer acceptance policies and procedures which are sensitive to the risk of money laundering and terrorist financing;
4. Undertake Customer Due Diligence (“CDD”) measures to an extent that is sensitive to the risk of money laundering and terrorist financing depending on the type of customer, business relationship or transaction; and
5. Place a system for identifying, monitoring and reporting suspected Money Laundering (ML) or Terrorism Financing (TF) transactions to the law enforcement authorities
6. Develop staff members awareness and vigilance to guard against ML and TF.

1. Appointment of Principle Officer (PO):

Ontrust appoints a Mr. Lalit Kumar Chetani, Whole Time Director, as Principle Officer from sufficiently senior level in the management hierarchy to put in place all the procedures, monitoring and reporting responsibility under PMLA.

2. Appointment of Designated Director (DD):

Ontrust appoints Mr. Shekhar Kumar Jain, Whole Time Director as a Designated Director as per the Circular, rule & guideline to put in place all the procedures, monitoring and reporting responsibility under PMLA.

3. Employee Due Diligence:

Ontrust adopted due diligence process for selection and appointing employees / authorized persons / sub brokers by verifying information provided in their CV and counter checking with references given.

4. Client Due Diligence Process:

Ontrust main business is Stock broking and governed by the byelaws, rules, and regulations of the SEBI and the recognized Stock Exchanges. The authorities have specified minimum documentation and verification required before opening an account of a client, which is quite extensive.

Apart from that the authorities have made rules and regulations and issued circulars from time to time for proper governance of securities market. Compliance of these rules and regulations ensures that all the transactions have proper audit trail as well as client verification. However, all representatives of the Ontrust must ensure following while opening an account of a client and doing transaction with them:

- I. Ontrust accept new clients (Individual & Non Individual) only after proper verification with reference documents with the original as well as data available, if any at the reliable websites like Income Tax India, MCA etc .
- II. The “Beneficial Owner” is the natural person or persons who ultimately own, control or influence a client and / or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement. Before completing registration process, client account should be verified by independent employee to check the actual beneficial ownership and control of the particular account.
- III. Further, in Case of Non Individual Clients Ontrust obtain declaration from the clients to identify and understand that, who is ultimately controlling the account.
- IV. Ontrust also periodically review client nature of transaction, movement / source of transaction, etc to ensure that the transaction being conducted are consistent with the knowledge of the clients, its business and risk profile and periodically ask to client's to update their financial details and personal details to determine the genuineness of transaction.

➤ Policy for Acceptance & Identification of Clients:

- I. Ontrust accepted only those client is introduced either by our Directors, Employees and existing clients. A proper verification of address, occupation and credential is be carried out by the employee.**
- II. Ascertaining the categories of the clients before registration as Client. (i.e. Individual/ Company/HUF/ Trust/ Partnership Firm etc.**
- III. Client Registration Form is duly filled up and the information regarding residence/ correspondence address, occupation details, bank details, depository details and other details etc. are verified with the original documents and if required from any other authentic sources.**
- IV. The Client must provide a recent photograph and necessary identity proof as specified in the Client Registration Form.**
- V. Necessary verification is made before opening an account so as to ensure that no Client Account is opened in a fictitious / benami name or account does not match with person having criminal background or banned in any other manner.**
- VI. Ontrust obtain relevant Financial proof as specified in Client Registration Form to all Clients registered in derivatives segment.**

- VII. In respect to the Non individual clients Ontrust collect the certified copy of Income Tax Returns and Financials for last 2 years , Shareholding pattern and Partnership Deed / Memorandum and Article of Association/ HUF Deed or List of Coparceners / Trust deed etc. as specified in Client Registration Form.**
- VIII. Photograph of each partner/ Director/ Karta/ Trustee / Authorised Signatory (as per declaration / resolution) and their specimen signature and details are obtained as specified in Client Registration Form.**
- IX. All Special Category Clients are registered after the proper identification and verification as per Client Registration Form with approval from the Ontrust Director / Compliance Officer/ Principal Officer.**
- X. The person acting for/on behalf of the clients shall have an authority / consent letter. Adequate verification of a person's authority to act on behalf the client will also be carried out by the compliance department.**
- XI. Failure by prospective clients to provide satisfactory evidence of identity should be noted and reported to the senior official as and when require.**
- XII. Ontrust not register any Client where Ontrust cannot apply Client Due Diligence or Client unable to submit required proof or any suspicious behavior noticed at the time of registration .**

➤ **Risk-based Approach**

Each Client Registration Form and Agreement is reviewed by a senior official before allowing any client to transact with us and a client may be graded with High risk. All the clients of special category as mentioned below are expected to be High risk as per the suggested guidelines:

- I. Non Resident Clients;**
- II. High Networth Clients;**
- III. Trust, Charities, NGOs and organizations receiving donations;**
- IV. Companies having close family shareholdings or beneficial ownership;**
- V. Politically Exposed Persons (PEP) of Foreign Origin;**
- VI. 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);**
- VII. Companies Offering Foreign Exchange Offerings;**

- VIII. 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 centres, tax havens, countries where fraud is highly prevalent;
- IX. Non face to face clients;
- X. Clients with dubious reputation as per public information available etc.

However, Ontrust has divided its clients broadly into the following categories, keeping in the view the spirit of the suggested guidelines provided for Anti Money Laundering and existing client database as per the following table:

Categories	Clients included
High Risk	(a) NRI Clients (b) Special Categories defined under AML Act.
Medium Risk	(a) Employees (b) Retail
Low Risk	(a) In House Clients (b) HNI Clients (c) Institutional Clients

All above classifications are based on risk perceived, experience and expertise of the senior management and risk assessment personnel of Ontrust.

An updated list of individuals and entities which are subject to various sanction measures such as freezing of accounts, denial of financial services as can be accessed from website United States <http://www.un.org/sc/committees/1267/consolist.shtml> are counter checked before opening of account. Details of accounts bearing resemblance with any of the individual in the list should be immediately reported to FIU.

➤ **Record Keeping**

1. All the records are being kept by Ontrust as per the SEBI Act, 1992, Rules and Regulations made there- under PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye- Laws and circulars.
2. Ontrust shall maintain a record of all transactions, as mentioned in Part A above, whether such transactions comprise of a single transaction or a series of transactions integrally connected to each other, and where such series of transactions takes place within a month .
3. If there be any suspected drug related or other laundered money or terrorist property, the competent investigation authorities might need to trace through the audit trail for reconstructing a financial profile of suspect account, Ontrust will retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:

- I. the beneficial owner of the account
- II. the volume of the funds flowing through the account and
- III. for selected transactions:
 - a. The origin of the funds;
 - b. The form in which the funds were offered or withdrawn, e.g. cash, cheques etc;
 - c. The identity of the person undertaking the transaction ;
 - d. The destination of the funds;
 - e. The form of instruction and authority.
4. Ontrust will ensure that all Client and transaction, records and information are available on a timely basis to the competent investigation authorities.

Provided that where the principal officer has reason to believe that a single transaction integrally connected to each other have been valued below the prescribed value so as to defeat the provisions of this section, the officer shall furnish information in respect of such transactions to the Director, FIU – IND.

➤ **Procedure and Manner Of Maintaining Record's and Information's**

- i. Ontrust shall maintain sound information in respect of transactions in hard and soft copies in accordance with the procedure and manner as specified be the Regulatory authority.**
- ii. Ontrust shall maintain record on Client identification, account files and business correspondence in hard and soft copies in accordance with the procedure and manner as specified be the Regulatory authority.**
- iii. Retention of records shall be maintained for a period of ten years.**

We shall also maintain and preserve the following information in respect of transactions:

- i. The nature of the transaction**
- ii. The amount of the transaction and the currency in which it denominated**
- iii. The date on which the transaction was conducted**
- iv. The parties to the transaction**
- v. Furnishing f information to the Director – FIU – IND**

➤ **Monitoring of Transactions**

- i. **Ontrust regularly monitoring the transactions of the each client to ensure the effectiveness of the Anti Money Laundering procedures.**
- ii. **Ontrust will pay special attention to all complex, unusually large transactions/ patterns which appear to have on economic purpose.**
- iii. **Ontrust has prescribed internal threshold limit for each class of client accounts and pay special attention to the transactions which exceeds these limits.**
- iv. **Ontrust will ensure a record of transaction is preserved and maintained in terms of section 12 of the PMLA 2002 and that transaction of suspicious nature or any other transaction notified under section 12 of the act is reported to the appropriate law authority.**
- v. **Suspicious transaction will also be regularly reported to the higher authorities / head of the department.**

Further the Ontrust Compliance Department will randomly examine a selection of transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transaction or not.

➤ **Suspicious Transactions Monitoring & Reporting**

- I. **Ontrust ensures to take appropriate steps to enable suspicious transaction to be recognized and have appropriate procedures for reporting suspicious transactions. A list of circumstances which may be in the nature of suspicious transaction is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances.**
 - I. **Clients whose identity verification seems difficult or clients appears not to cooperate**
 - II. **Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing / business activity.**
 - III. **Clients in high risk jurisdiction or clients introduced by banks or affiliate or other clients based in high risk jurisdiction**
 - IV. **Substantial increase in business without apparent clause.**
 - V. **Clients transferring large sums of money to or from overseas locations with instructions for payment in cash.**
 - VI. **Transfer of investment proceeds to apparently unrelated third parties.**
 - VII. **Unusual transactions by CSCs and businesses undertaken by offshore banks / financial services, businesses reported to be in the nature of export-import of small items.**

Any suspicion transaction needs to be notified immediately to the Principal Officer. The notification may be done in the form of a detailed report with specific reference to the client's 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 other wise 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.

It is likely that in some cases transaction is abandoned/aborted by Client on begin asked to give some details or to provide documents. It is clarified that the company will report all such attempted transactions in STRs, even if not completed by customers, irrespective of the amount of the transaction.

The principal officer of Ontrust, shall furnish

- i. The cash transaction Report (CTR) for each month to the Director, FIU – IND by the 15th day of the succeeding month**
- ii. The suspicious Transaction Report (STR) will be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non cash or a series of transaction integrally connected are of suspicious nature.**

➤ **Reporting to FIU – India**

- i. In terms of the PMLA rules, Ontrust will 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**

- ii. Ontrust Principal Officer will be responsible for timely submission of Cash Transaction Report (CTR) and Suspicious Transaction Report (STR) to FIU IND and he will be carefully go through all the reporting requirements and formats as per the provision of PMLA .
- iii. No nil reporting will be made to FIU-IND in case there are no cash/ suspicious transaction to be reported.
- iv. Ontrust will not put any restrictions on operations in the accounts where as STR has been made. Ontrust and its directors, officers and employees (permanent and temporary) will be prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND. Thus it will be ensured that there is no tipping off to the client at any level.

- v. The company, irrespective of the amount of transaction and or the threshold limit envisaged for predicated offense specified in Part B of schedule of PMLA 2002 will file STR if it has reasonable grounds to believe that the transaction involve proceeds of crime.

➤ **Designation of an officer for reporting of suspicious transaction**

The principal officer of the company is responsible for the following:

- i. Communicating the policy on prevention of Money laundering to the employees of the company
- ii. Receiving reports from employees for any suspicious dealing noticed by them
- iii. Clarification any queries from employees on this matter.
- iv. Ensuring that the employees dealing with the clients/prospective clients are aware of the guidelines of the company and are advised to follow the same strictly
- v. Report any suspicious transactions to appropriate authorities.
- vi. Will have access to and be able to report to senior management above his/her next reporting level or the Board of Directors.

- v. The company, irrespective of the amount of transaction and or the threshold limit envisaged for predicated offense specified in Part B of schedule of PMLA 2002 will file STR if it has reasonable grounds to believe that the transaction involve proceeds of crime.

➤ **Investor Education**

A requisite questionnaire is designed in the Client Registration Form for Clients to fetch all relevant data as per the suggested guidelines on money laundering and copy of the same is available in the Ontrust Websites (www.onstructcap.com).

Apart from the above, all Clients would be sent a copy of Ontrust PMLA Policy for their awareness and same will be also displayed on the Ontrust website.

➤ **Employee Education**

Ontrust has adequate screening procedures in place to ensure high standards when hiring employees. The company will identify properly the key position within their own organization structure having regard to the risk of money laundering and terrorist financing and size of their business. The senior management level has been entrusted with the responsibility of complying with the provisions of the ACT and reporting of the suspicious transactions, if any. The employees of the company has been briefed up and trained with the provisions and intentions of the Act putting stress to anti money laundering and anti- terrorist financing.

(This Amended Policy is adopted from 01.03.2011 and subject to change time to time as per change in rules & regulations)

SEBI Registration Number:

NSE CM : INB 231424632

NSE F&O : INF 231424632

NSE CDS : INE 231424632

Company Identification Number :

U67120WB2010PTC151856

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