



Prarup Shares & Stock Brokers Pvt. Ltd.

Share & Stock Brokers • Member : Bombay Stock Exchange Ltd.

CIN NO: U67120MH1997PTC110642

POLICIES AND PROCEDURE FOR COMBATING MONEY LAUNDERING (ML) OR TERRORIST FINANCING (IF)

(Issued as per the requirements of the PMLA Act 2002)

Applicability:

- ▶ Prarup Shares & Stock Brokers Private Limited (PSSBPL) SEBI Registered Intermediary

In compliance with:

- ▶ The PMLA Act, 2002 as modified and circulars, rules & guidelines issued thereof
- ▶ SEBI master Circular and guidelines issued including latest SEBI guidelines ref. SEBI/HO/MIRSD/DOP/Cir/P/2019/113 dated October 15, 2019

Introduction:

Parliament of India enacted Prevention of money Laundering Act, 2002 (PMLA) to prevent money- laundering and to provide for confiscation of property derived from, or involved in, money laundering and for matters connected therewith or incidental thereto. The provisions of PMLA came into force on 01st July 2005. Financial Intelligence Unit - India (FIU-IND) was set by the Government of India vide O.M. dated 18th November, 2004 as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions under Section 12 of PMLA, inter-alia, requires all intermediaries associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992 to maintain a record of all the transactions, the nature and value of which has been prescribed under the rules notified under the PMLA. Pursuant to this, Securities and Exchange Board of India (SEBI) issued Guidelines on Anti Money Laundering Standards and various circulars from time to time to implement the provisions of PMLA in the securities market and to prevent and impede money laundering and combat financing terrorism. Prarup Shares & Stock Brokers Pvt. Ltd, (hereinafter referred to as 'PSSBPL' or 'the Company'), has adopted this Anti Money Laundering policy in accordance with the provisions of PMLA Act and the rules made there under, SEBI, Guideline and Circulars issued from time to time on this subject. The policy applies not only to money laundering, but also to terror financing.

1. PSSBPL Policy

It is our policy to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminal derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets.

2. Written Anti Money Laundering--Procedures:

The company shall endeavor at all times to comply, in letter and spirit, with the provisions of all relevant laws, rules, regulations, guidelines and circulars issued by regulatory authorities in relation to anti-money laundering and company's policies & procedures. PSSBPL shall adopt and implement such procedures which inter alia shall include the following three parameters which are related to the overall 'Client Due Diligence Process':

- a) Policy for acceptance of clients
- b) Procedure for identifying the clients
- c) Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR).

30, Kamer Bldg., 38, Cawasji Patel Street, Fort, Mumbai-400 001.

MAS Direct: 022-2284 1432 • Tel.: 022-2284 1430 / 31 • E-mail : prarup_1994@yahoo.co.in

2.1. Client Due Diligence (CDD):

2.2.1 The CDD measures at PSSBPL shall comprise the following:

a) Identification of client (and actual beneficial owners) and verifications of their identity:

Obtaining sufficient information in order to identify persons who beneficially owns or controls the securities account. Whenever it is apparent that the securities acquired or obtained through an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or person on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

b) Verifying the client's identity using reliable, independent source documents, data or information.

c) Identifying beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted.

i. 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 or individuals, PSSBPL shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

aa) 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.

bb) In cases where there exists doubt under clause (aa) 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.

cc) Where no natural person is identified under clauses (aa) or (bb) above, the identity of the relevant natural person who holds the position of senior managing official.

ii. For client which is a Trust:

Where the *client* is a trust, PSSBPL 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.

iii. Exemption in case of listed companies

Where the client or the owner or the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it will not be necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

iv. Applicability for foreign investors

While dealing with foreign investors, PSSBPL will be guided by the clarifications issued vide SEBI circulars CIR/MIRSD/11/2012 dated September 5, 2012 and CIR/ MIRSD/ 07/ 2013 dated September 12, 2013 for the purpose of identification or beneficial ownership of the client and any further circular thereon.

v. Monitor of compliance

a) The compliance of the aforementioned provision on identification of beneficial ownership shall be monitored by the Board of Directors of PSSBPL.

b) Verifying the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c).

c) Understanding the ownership and control structure of the client.

d) Conducting ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with PSSBPL's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds

e) PSSBPL shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process

2.2.2 Policy -for acceptance of Clients:

2.2.2.1 The client acceptance policies and procedures of PSSBPL is a part of the "PSSBPL Client On boarding and Periodical Review Policy" (Attached as Annexure A) and aims to identify the types of clients that are likely to pose a higher than average risk of ML or TF. (implementation and development of a national anti-money laundering / countering the financing of terrorism (AML/CFT) regime, which includes laws, regulations, enforcement and other measures to mitigate ML/TF risks. It assists in the prioritization and efficient allocation of resources by authorities.) By establishing such policies and procedures, PSSBPL will be in a better position to apply client due diligence on a risk sensitive basis depending on the type, of client business relationship or transaction. In a nutshell, the following safeguards will be followed while accepting the clients:

a) No account is opened in a fictitious/ benami name or on an anonymous basis.

b) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.

c) Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.

d) Ensure that an account is not opened where PSSBPL is unable to apply appropriate CDD measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to PSSBPL is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. PSSBPL shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. PSSBPL shall be cautious to ensure that we do not

return securities of money that may be from suspicious trades. However, PSSBPL shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.

e) The circumstances under which the client is permitted to act on behalf of another person/entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent-client registered with PSSBPL, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.

f) Necessary checks and balance to be put into place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide

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

2.2.3 Risk-based Approach:

2.2.3.1 It is generally recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, PSSBPL shall apply each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that PSSBPL shall adopt an enhanced client due diligence process for higher risk categories of clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line

with the risk-based approach, the type and amount of identification information and documents that PSSBPL shall obtain necessarily depend on the risk category of a particular client.

2.2.3.2 Further, low risk provisions shall not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk

2.2.3.3 Policy for due diligence measures on a risk sensitive basis is a part of the "PSSBPL Client On boarding and Periodic Review Policy (Attached as Annexure A)

2.2.3.3 Risk Assessment

a) PSSBPL shall carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its 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 the URL http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and <http://www.un.org/sc/committees/1988/list.shtml>

Policy for risk assessment and categorization is a part of the "PSSBPL Client On boarding and Periodical Review Policy" (Attached as Annexure A)

b) 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.

Client of special category CSC) . Such clients shall include the following:

- a) Non-resident clients
- b) High net-worth clients,
- c) Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations

- d) Companies having close family shareholdings or beneficial ownership
- e) Politically Exposed Persons (PEP) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The additional norms applicable to PEP as contained in the subsequent para

2.2.5 of this policy shall also be applied to the accounts of the family members or close relatives of PEPs.

- f) Companies offering foreign exchange offerings

g) Clients in high risk countries where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production, countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, countries 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. While dealing with clients in high risk countries where the existence/effectiveness of money laundering control is suspect PSSBPL shall apart from being guided by the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org), also independently access and consider other publicly available information.

- h) Non face to face clients

- i) Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and the PSSBPL shall exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.

2.2.4 Client identification procedure:

2.2.4.1 The KYC policy shall clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the client relationship, while carrying out transactions for the client or when PSSBPL has doubts regarding the veracity or the adequacy of previously obtained client identification data. PSSBPL shall be in compliance with the following requirements while putting in place a Client Identification Procedure (CIP):

a) PSSBPL shall proactively put in place appropriate risk management Systems to determine whether its existing client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPs. Further, the enhanced CDD measures as outlined in 2.2.5 shall also be applicable where the beneficial owner of a client is a PEP.

b) Senior management approval would be obtained for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a -PEP, D&B shall obtain approval from Director to continue the business relationship.

c) PSSBPL shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.

d) The client shall be identified by PSSBPL by using reliable sources including documents, information. PSSBPL shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.

e) The information must be adequate enough to satisfy competent authorities (regulatory/ enforcement authorities) in future that due diligence was observed by PSSBPL in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.

f) Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority (Principal Officer) within PSSBPL.

2.2.4.2 SEBI has prescribed the minimum requirements relating to KYC from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time, PSSBPL shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices. Further, PSSBPL shall conduct ongoing due diligence where it notices inconsistencies in the information provided. The underlying objectives shall be to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued thereunder so that PSSBPL is aware of the clients on whose behalf it is dealing.

2.2.5.3 PSSBPL shall formulate and implement a CIP which shall incorporate the requirements of the PML Rules Notification No.9/2005 dated July 01, 2005 (as amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients and such other additional requirements that is considered appropriate to enable PSSBPL to determine the true identity of its clients.

The PSSBPL CIP is a part of the "PSSBPL Client On boarding and Periodical Review Policy (Attached as Annexure A)

2.2.5.4 It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to PSSBPL from obtaining the minimum information/documents from clients as stipulated in the PML Rules/ SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients. In other words, there should be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures by PSSBPL. This shall be strictly implemented by PSSBPL.

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

a) PSSBPL may rely on a third party for the purpose of 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.

2.2.5.1 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 PSSBPL shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

2.3. Record Keeping

2.3.1 PSSBPL shall ensure compliance with the record keeping requirements contained in the SEBI Act 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

2.3.2 PSSBPL shall maintain such records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behavior.

2.3.3 Should there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, PSSBPL shall retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:

- a) the beneficial owner of the account;
- b) the volume of the funds flowing through the account;
- and c) for selected transactions:
 - i. the origin of the funds
 - ii. the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
 - iii. the identity of the person undertaking the transaction;
 - iv. the destination of the funds;
 - v. the form of instruction and authority.

2.3.4 PSSBPL shall 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, PSSBPL shall 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 there-under PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

2.3.5 More specifically, PSSBPL shall put in place a system of maintaining proper records of transactions prescribed under Rule 3 of PML Rules as mentioned below:

- a) all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
- b) all series of cash transactions integrally connected to each other which have been individually valued below rupees ten 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;
- c) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
- d) all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

2.4. Information to be maintained

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

- a) the nature of the transactions;
- b) the amount of the transaction and the currency in which it is denominated;
- c) the date on which the transaction was conducted; and
- d) the parties to the transaction.

2.5. Retention of Records

2.5.1 PSSBPL shall take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PML Rules have to be maintained and preserved for a period of five years or for any such period as stipulated by regulators from the date of transactions between the client and PSSBPL.

2.5.2 As stated in sub-section 2.2.5, PSSBPL is required to formulate and implement the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. 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 the clients and PSSBPL has ended or the account has been closed, whichever is later.

2.5.3 Thus the following document retention terms shall be observed:

- a) All necessary records on transactions, both domestic and international, shall be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed thereunder as well SEBI Act and other legislations, Regulations or exchange bye-laws or circulars).

b) PSSBPL shall maintain and preserve the records 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 eight years after the business relationship between a client and PSSBPL has ended or the account has been closed, whichever is later.

2.5.4 In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they shall be retained until it is confirmed that the case has been closed.

2.5.5 Records of information reported to the Director, Financial Intelligence Unit-India (FIU-IND):

PSSBPL shall maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 and 8 of the PML Rules, for a period of five years from the date of the transaction between the client and PSSBPL.

2.6. Monitoring of transactions

2.6.1 Regular monitoring of transactions is vital for ensuring the effectiveness of the AML procedures. This is possible only if PSSBPL has an understanding of the normal activity of the client so that it can identify deviations in transactions/ activities.

2.6.2 PSSBPL shall pay special attention to all complex unusually large transactions/ patterns which appear to have no economic purpose. PSSBPL may specify internal threshold limits for each class of client accounts and pays special attention to transactions which exceeds these limits. The background including all documents/office records memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/stock exchanges/FIUIND/ other relevant Authorities, during audit, inspection or as and when required. These records will be maintained and preserved for a period of five years from the date of transaction between the clients and PSSBPL.

2.6.3 PSSBPL shall ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND. Suspicious transactions shall also be regularly reported to the higher authorities (Director) within PSSBPL.

2.6.4 Further, the compliance cell of PSSBPL shall randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.

2.6.5 All regulatory alerts generated by the Market Infrastructure Institutions (MIIs) shall be monitored by the Principal Officer for necessary action to be taken

2.7. Suspicious Transaction Monitoring and Reporting

2.7.1 PSSBPL shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, PSSBPL shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

2.7.2 A list of circumstances which may be in the nature of suspicious transactions 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:

- a) Clients whose identity verification seems difficult, or clients that appear not to cooperate
- b) Asset management services for clients, where the source of the funds is not clear or not in keeping with clients' apparent standing/business activity;

- e) Clients based in high risk jurisdictions:
- d) Substantial increases in business without apparent cause:
- e) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- f) Attempted transfer of investment proceeds to apparently unrelated third parties;
- g) 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.

2.7.3 Any suspicious transaction shall be immediately notified to the Money Laundering Control Officer (Principal Officer) or any other designated officer within PSSBPL. 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 shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall 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.** The Principal officer/ Money Laundering Control Officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

2.7.4 It is likely that in some cases transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. It is clarified that PSSBPL shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

2.7.5 Clause 2.2.4(g) of this policy categorizes clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'CSC'. Such clients shall also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.

2.8. List of Designated Individuals/ Entities

2.8.J 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>. PSSBPL shall ensure that accounts are not opened in the name of anyone whose name appears in said list. PSSBPL shall also monitor the regions declared by FATF under cautious category and will follow due diligence in such case. PSSBPL 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 shall immediately be intimated to SEBI and FIU-IND.

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

2.9.1 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.

2.9.2 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.

ii Communication of Order. Under Section 51A of Unlawful Activities (Prevention) Act.

i. All Orders under section 51A of the UAPA relating to funds, financial assets or economic resources or related services, would be communicated to stock exchanges, depositories and PSSBPL through SEBI

2.10 Reporting to Financial Intelligence Unit-India

2.10.1 2.10.1 In terms of the PML Rules, PSSBPL 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 Oclhi-II0021.
Website: <http://fiuindia.gov.in>

2.10.1 PSSBPL shall carefully go through all the reporting requirements and formats that are available on the website of FIU - IND under the Section Obligation of Reporting Entity - Furnishing Information - Reporting Format (https://fiuindia.gov.in/files/downloads/Filing_Information.html). These documents contain detailed directives on the compilation and manner/procedure of submission of the reports to FIU-IND. The related hardware and technical requirement for preparing reports, the related data files and data structures thereof are also detailed in these documents. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, PSSBPL shall adhere to the following:

a) The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
b) 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.

c) The Non Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month.

d) The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;

e) Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND.

f) No nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious/ non - profit organization transactions to be reported.

2.10.3 PSSBPL shall not put any restrictions on operations in the accounts where an STR has been made. PSSBPL and its 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.

2.11. Designation of officers-for ensuring compliance-with provisions of PMLA

2.11.1 Appointment of a Principal Officer:

2.11.1.1 To ensure that PSSBPL properly discharges its legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors.

Mr. Pratik M Shah Designated Director of company has been appointed as new Principal Officer from June 2023 for Broking Operation.

3. Other principles

PSSBPL shall ensure the following:

PSSBPL shall ensure that the content of these Directives are understood by all staff members.

PSSBPL will regularly review the policies and procedures on the prevention of ML and TF on an annual basis to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures

PSSBPL will adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF

PSSBPL will undertake client due diligence ("COD") measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction

This revised policy was approved at the Board meeting of Prarup Shares & Stock Brokers Private Limited held on 20.6.2022.

PSSBPL has reviewed PMLA Policy on 20.06.2022 as per the Resolution passed For Board of Directors of Prarup Shares & Stock Brokers Private Limited



(Mahendra Shah)
Director



Prarup Shares & Stock Brokers Pvt. Ltd.

Share & Stock Brokers • Member : Bombay Stock Exchange Ltd.

CIN NO: U67120MH1997PTC110642
Annexure A - PSSBPL Client On boarding and

Periodical Review Policy Encompassing

Client acceptance policies and procedures/ Due diligence measures on a risk sensitive basis/ Risk assessment and categorization

Client on boarding Process at PSSBPL

- PSSBPL will use the Permanent Account number (PAN) allotted by the Indian Income Tax Department as the main identifier for the identity of all individuals. The PAN as provided shall be independently verified from the Income Tax Database/ databases of other entities authorized by the Income Tax department.
- All processes like in-person verification, verification of copies against originals, and all other requirements of KRA and CKYCR shall be met at all times by PSSBPL diligently
- As an internal policy, introducer's details are captured in account opening form so as to have a first level reference for any new client who is opening the account with PSSBPL.

A public database search of the individual (in case of individual clients) and beneficial owners/ senior management in case of non-individuals clients shall be conducted at the following places:

- PAN number search on Google-
- Search on Stock exchange provided lists
- Search on whatchoutinvestors.com
- Search on UN databases
- Search in any other commercial database that PSSBPL may subscribe to

The search shall ensure that identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide.

If any alerts are generated during the search, then matter shall be escalated to Principal Officer to take a decision whether to open the account or not.

Income and/or Net worth details shall be taken for all clients on a self-declaration basis. For existing accounts, periodic review of Income Range/ Net worth details will be conducted.

Risk categorization

All clients, at the time of on boarding shall be classified in low, medium and high risk categories, based on the following parameters:

Meets all four parameters - High Risk

Meets three parameters - Medium Risk

Meets two or less parameters - Low risk

- Parameter 1 (Location) - If the clients' location (registered office address, correspondence addresses and other addresses if applicable) is out of India in any of the high risk jurisdictions as defined by FATF
- Parameter 2 (nature of business activity) - If the client is dealing in derivatives segment
- Parameter 3 (Trading turnover) - If the turnover of the client is not commensurate with the income/ net worth as provided to PSSBPL
- Parameter 4 (Manner of making payment for transactions undertaken) - if client attempts to make payments from accounts other than its own bank accounts