

# **ANTI MONEY LAUNDERING POLICY**

## **JKB FINANCIAL SERVICES LIMITED (JKBFSL)**

**Version 3.0**

**Year 2016**  
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## **1. INTRODUCTION**

The Guidelines as outlined below provides a general background on the subjects of money laundering and terrorist financing summarizes the main provisions of the applicable anti – money laundering and anti-terrorist financing legislation in India and provides guidance on the practical implications of the Act. These Guidelines are intended for use by all employees and representatives of JKBFSL. The Guidelines also sets out the steps that all employees of JKBFSL and any of its representatives, are implementing to discourage and identify any money laundering or terrorist financing activities. The overriding principle is to enable them to satisfy themselves that the measures taken by them are adequate, appropriate and follows the spirit of these measures and the requirements as enshrined in the Prevention of Money Laundering Act, 2002. (PMLA) The relevance and usefulness of these Guidelines are kept under review and it may be necessary to issue amendments from time to time. It is recognized that a “one-size-fits-all” approach shall not be appropriate for the securities industry; and hence JKBFSL after considering the specific nature of our business, type of clients, transactions etc. has implemented the suggested measures and procedures to ensure that they are effectively applied.

### **1.1. WHAT IS MONEY LAUNDERING?**

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

This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

### **1.2. PREVENTION OF MONEY LAUNDERING ACT, 2002**

Prevention of Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July 1, 2005.

The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including Depository Participants, stock brokers and sub-brokers) to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU) - INDIA

### **1.3. FINANCIAL INTELLIGENCE UNIT (FIU) – INDIA**

The Government of India set up Financial Intelligence Unit-India (FIU-IND) on November 18, 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 transactions. 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.

#### **1.4. POLICY OF JKB FINANCIAL SERVICES LIMITED**

JKB Financial Services Limited (JKBFSL) has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame-work to report cash and suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002.

This policy is applicable to JKBFSL Employees, Sub-Brokers and Authorised Persons (AP) (As and when appointed by the Company).

#### **2. BACKGROUND**

Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, SEBI had issued the Guidelines on Anti Money Laundering Standards vide their notification No.ISD/CIR/RR/AML/1/06 dated 18th January 2006, vide letter No.ISD/CIR/RR/AML/2/06 dated 20th March 2006 and vide Circular number CIR/MIRSD/1/2014 dated March 12th, 2014 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI.

#### **3. OBJECTIVE OF THESE GUIDELINES**

The purpose of this document is to guide all the employees of JKBFSL, its associates (AP/Sub Brokers as & when appointed by the Company) and employees of its associates on the steps that they are required to take and implement to prevent and identify any money laundering or terrorist financing activities. It shall be the responsibility of each of the concerned employees that they should be able to satisfy themselves that the measures taken by them are adequate, appropriate and follow the spirit of these measures and the requirements as enshrined in the "Prevention of Money Laundering Act, 2002".

Some of these suggested measures may not be applicable to every circumstance or to each department, Branch / Sub-broker. However, each entity should consider carefully the specific nature of its business, type of customer and transaction to satisfy itself that the measures taken by the employees are adequate and appropriate to follow the spirit of these guidelines.

#### **4. POLICIES AND PROCEDURES TO COMBAT MONEY LAUNDERING AND TERRORIST FINANCING**

##### **4.1 ESSENTIAL PRINCIPLES**

These Directives have taken into account the requirements of the PMLA as applicable to JKBFSL under Section 12 of the SEBI Act. JKBFSL has considered carefully the specific nature of its business, organizational structure, type of client and transaction, etc. to satisfy itself that the measures taken by it are adequate and appropriate and follow the spirit of the suggested measures in Part II and the requirements as laid down in the PMLA.

## **4.2 OBLIGATION TO ESTABLISH POLICIES AND PROCEDURES**

**4.2.1** Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need for financial institutions, including securities market intermediaries, to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing.

**4.2.2** To be in compliance with these obligations, the senior management of JKBFSL is fully committed to establish appropriate policies and procedures for the prevention of money laundering and terrorist financing and ensure their effectiveness and compliance with all relevant legal and regulatory requirements. JKBFSL is:

- a) Issuing a statement of policies and procedures, on a group basis where applicable, for dealing with money laundering and terrorist financing reflecting the current statutory and regulatory requirements;
- b) Ensuring that the content of these Directives are understood by all staff members;
- c) Regularly reviewing the policies and procedures on the prevention of money laundering and terrorist financing to ensure their effectiveness.
- d) Adopting client acceptance policies and procedures which are sensitive to the risk of money laundering and terrorist financing;
- e) Undertaking client due diligence (“CDD”) measures to an extent that is sensitive to the risk of money laundering and terrorist financing depending on the type of client, business relationship or transaction;
- f) having a system in place for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to the law enforcement authorities; and
- g) Developing staff members’ awareness and vigilance to guard against money laundering and terrorist financing.

### **4.2.3 JKBFSL’S POLICIES AND PROCEDURES TO COMBAT MONEY LAUNDERING COVERS THE FOLLOWING:**

- a) Communication of group policies relating to prevention of money laundering and terrorist financing to all management and relevant staff members.
- b) Client acceptance policy and client due diligence measures, including requirements for proper identification;
- c) Maintenance of records;
- d) Compliance with relevant statutory and regulatory requirements;
- e) Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and
- f) Role of internal audit or compliance functions to ensure compliance with the policies, procedures, and controls relating to the prevention of money laundering and terrorist financing.

## **5. IMPLEMENTATION OF THIS POLICY**

**5.1.** Mr. Mohammad Shafi Mir – Chief Compliance Officer will be the Principal Officer who will be responsible for

- Compliance of the provisions of the PMLA and AML Guidelines

- Act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions
- Ensure that JKBFSL discharges its legal obligation to report suspicious transactions to the concerned authorities.

5.2 Mr. Abdul Rashid, Managing Director is designated as a Designated Director for supervision of effective implementation of Internal Controls and Procedures required under the “Prevention of Money Laundering Act, 2002”.

## **PART-II DETAILED OBLIGATIONS**

### **6. WRITTEN ANTI MONEY LAUNDERING PROCEDURES**

6.1 JKBFSL has adopted written procedures to implement the anti money laundering provisions as envisaged under the PMLA. Such procedures include inter alia, the following three specific 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)

### **7. CLIENT DUE DILIGENCE**

#### **7.1 ELEMENTS OF CLIENT DUE DILIGENCE**

The CDD measures comprise the following:

- a) Obtaining sufficient information in order to identify persons who beneficially own or control the securities account.
- b) Verify the client’s identity using reliable, independent source documents, data or information;
- c) Identify 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;
- d) Verify 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);
- e) Understand the ownership and control structure of the client;
- f) Conduct ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account to ensure that the transactions being conducted are consistent with the knowledge of the client, its business and risk profile, taking into account, where necessary, the client’s source of funds; and
- g) JKBFSL is periodically updating all documents, data or information of all clients and beneficial owners collected under the CDD process.

#### **7.2. CUSTOMER ACCEPTANCE POLICY**

**7.2.1** JKBFSL has the following client acceptance policies and procedures:

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

- b) Factors of risk perception of the client are clearly defined having regard to clients' location, 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 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) Collection of Documentation requirements and other information in respect of different classes of clients depending on the perceived risk.
- d) JKBFSL ensures that Account is not opened where it is unable to apply appropriate CDD measures / KYC policies. This shall be applicable in cases where it is not possible to ascertain the identity of the client, or the information provided to JKBFSL is suspected to be non genuine. We are captious to ensure that it does not return securities of money that may be from suspicious trades.
- e) In circumstances under which the client is permitted to act on behalf of another person, the client has to give in writing specifying in what manner the account shall be operated, transaction limits for operation and other appropriate details. Further rights and responsibilities of both person i.e. agent-clients registered with JKBFSL as well as the person on whose behalf the agent is acting shall be clearly laid down.
- f) Before opening an account necessary checks and balance are put into place 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. We are carrying out the following procedure to check whether the identity of the client does not match with any person who is banned in any manner or having a criminal background :-
  - Whenever a prospective client comes for account opening first of all we take his pan card copy and check the same with the SEBI debarred list, with the IT Website and also check the name of the client with List of Terrorist individuals / organizations – under UNSCR 1267 (1999) and 1822(2008) on Taliban / Al -Qaida organisation. Before the account is opened we are also taking an undertaking from the client that he is not debarred or banned by any of the authorities. In the case of corporates we verify the Company details like directors, registered office address, etc. with the MCA website.

#### **7.2.2 DOCUMENTS WHICH CAN BE RELIED UPON:**

- a. *PAN Card*: PAN card is mandatory and is most reliable document as only one card is issued to an individual and we can independently check its genuineness through Income Tax website
- b. *IDENTITY Proof*: PAN Card itself can serve as proof of identity. However, in case PAN card carries an old photograph of the holder, which does not match current facial features of the client, we should take other identity proof in form of Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card.

- c. **ADDRESS Proof:** For valid address proof we can rely on Voter's Identity Card, Passport, Bank Statement, Aadhaar Letter, Ration card and latest Electricity/telephone bill in the name of the client.

**7.2.3. DOCUMENTS TO BE OBTAINED AS PART OF CUSTOMER IDENTIFICATION PROCEDURE FOR NEW CLIENTS:**

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

- As PAN is mandatory, verify its genuineness with IT website and cross verify the PAN card copy with the original. Please put "verified with original" stamp as proof of verification.
- Other proofs for identity are Voter's Identity card, Passport, Ration Card or any Government/ PSU/ Bank issued photo identity card or any other document prescribed by the regulatory authorities
- Address proof in the form of Voter's Identity Card, Passport, Bank Statement, Ration card and latest Electricity/ telephone bill in the name of the client or any other document prescribed by the regulatory authorities.
- Copy of the bank account statement/ Pass Book
- Copy of the Demat account statement/ DP client master
- Proof of financial details

**b. In case of corporates, one certified copy of the following documents must be obtained:**

- Copy of the Registration/Incorporation Certificate
- Copy of the Memorandum & Articles of the Association
- List of Directors, Copy of their PAN cards, Address Proofs, and the Director Index No. (DIN) and acknowledged copy of Form 32 for their appointment
- Copy of the latest audited Annual Statements of the corporate client
- Latest Net worth Certificate
- Latest Income Tax return filed.
- Board Resolution for appointment of the Authorized Person who will operate the account.
- Photograph, Proof of address and Proof of Identity of all the persons authorized to deal on behalf of corporate
- List of Shareholders
- Copy of the Bank account statement / Pass Book
- Copy of the Demat account statement / DP client master

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

- Registration certificate
- Partnership Deed
- List of Partners, PAN card and address proofs of partners
- Authorization letter for the person authorized to open and operate the account
- Photograph, Proof of address and Proof of Identity of all the persons authorized to transact on behalf of firm



- Annual statement/returns of the partnership firm
- Copy of the Bank account statement / Pass Book
- Copy of the Demat account statement / DP client master

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

- Registration certificate
- Trust Deed
- PAN card
- Authorization letter for the entity authorized to act on their behalf
- Photograph, Proof of address and Proof of Identity of all the persons authorized to transact on behalf of the Trust.
- Copy of the Bank account statement / Pass Book
- Copy of the Demat account statement / DP client master

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

- Resolution of the managing body of such association or body of individuals
- POA in favour of person authorized to transact
- Officially valid documents like PAN card, voters ID, passport, etc of the person(s) authorized to transact
- Any document required to establish the legal existence of such an association or body of individuals.

***f. In case of an NRI account - Repatriable/non-repatriable, the following documents are required:***

- Copy of the PIS permission issued by the bank
- Copy of the passport
- Copy of PAN card
- Proof of overseas address and Indian address
- Copy of the Bank statement
- Copy of the Demat statement
- If the account is handled through a mandate holder, copy of the valid POA/mandate

**7.2.4. GENERAL GUIDELINES**

- Always check original documents before accepting the copies
- Obtain the latest photograph of account holder/ authorized person(s)
- Check for latest IT return of the client/ Net worth Certificate for ascertaining the financial status of the client to know the client suitability of the product being sold to the client
- Review the above details on-going basis to ensure that the transactions being conducted are consistent with our knowledge of customers, its business and risk profile, taking into account, where necessary, the customer's source of funds.

- Scrutinize the forms submitted by the client thoroughly and cross check the details with various documents obtained like source of income. If required, ask for any additional details like salary slips, etc. to satisfy yourself whenever there is a doubt.
- For scrutiny / background check of the clients, websites such as [www.watchoutinvestors.com](http://www.watchoutinvestors.com) should be referred. Also, Prosecution Database / List of Vanishing Companies available on [www.sebi.gov.in](http://www.sebi.gov.in) and RBI Defaulters Database available on [www.cibil.com](http://www.cibil.com) can be checked.
- Keep watch on the welcome kits returned with reason - undelivered. Compliance Officer should be alerted, client be contacted immediately on telephone and the trading, if suspected, should be suspended
- Employee of JKBFSL should not preferably sign as witness on the Client Registration Form
- If Employee of JKBFSL introduces the client, exact relation of the client with such employee should be documented.

### **7.2.5. FOR ALL EXISTING CLIENTS**

On an on-going basis, the branches / APs / Sub Brokers must ensure that the details given in the KYC, by the client, matches with the current details of the client. If required, we can seek additional documents/information from the client to verify the financial/general status of the client.

In cases where:

- There is any material negative change in the financial details of the client from what is given in the KYC.
- If the client is not contactable/traceable or contracts notes/ communications sent are received back undelivered.
- In case the client is prohibited by any regulatory authority.
- The client refuses to provide additional information/document asked for.
- There is a material change in the mandate holder profile/details

Then the facts should immediately be brought to the notice of the Compliance Officer, who will, in turn, discuss the same with the Principal Officer to decide on the necessary course of action, including reporting to FIU.

### **7.3. RISK-BASED APPROACH**

7.3.1. We should accept the clients based on the risk they are likely to pose. The aim is to identify clients who are likely to pose a higher than average risk of money laundering or terrorist financing. For this purpose, we need to classify the clients as Low risk, medium risk and high risk clients. By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high risk client we have to apply higher degree of due diligence. The factors of risk perception depend on client's location, nature of business activity, turnover, nature of transaction, manner of payment etc.

7.3.2. In order to achieve this objective, all clients of the branch should be classified in the following category:-

- a. Category A – Low Risk
- b. Category B – Medium Risk
- c. Category C – High risk

7.3.3 Category A clients are those who pose low or nil risk. They are good corporate/HNIs who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares.

7.3.4. Category B clients are those who are intra-day clients or speculative clients, who insist on maintaining running account with JKBFSL.

7.3.5. Category C clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc.

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

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

7.3.8. Any change in the risk profile of the client/mandate holder, has to be ascertained by the concerned branch officials, and reported to the Compliance Officer immediately.

#### **7.4. CLIENTS OF SPECIAL CATEGORY (CSC)**

Such clients include the following:

- a) Non-resident 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) 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 centers, tax havens, countries where fraud is highly prevalent.
- 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 JKBFSL is doing independent judgment to ascertain whether any set of other clients shall be classified as CSC or not.

## **7.5. CLIENT IDENTIFICATION PROCEDURE:**

### **7.5.1**

- The 'Know your Client' (KYC) form is duly completed in all respects and are supported with all necessary documents. Not a single column is kept blank. If client has not provided information with regard to any column then his account should not be opened and the client is to be asked to complete the form along with supporting documentary evidence.
- The client is identified by using reliable sources including documents / information. The staff is obtaining adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- The information received are adequate enough to satisfy competent authorities (regulatory /enforcement authorities) that the due diligence is observed by the staff in compliance with the Guidelines. At the time of accepting KYC form, copies of documents submitted are verified with original documents.
- To put in place appropriate risk management systems to determine whether the client or potential client or the beneficial owner of such client is a politically exposed person.
- Senior management approval has been taken for establishing business relationships with PEPs. Where a client has been accepted and found to be, or subsequently becomes PEP.
- Reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
- Failure by prospective client to provide satisfactory evidence of identity is been noted and reported to the higher authority.

Taking into account the minimum requirements relating to KYC & the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time, we have framed our own internal directives based on experience in dealing with our clients and legal requirements as per the established practices. Further, we also assure to conduct ongoing due diligence wherever we notice inconsistencies in the information provided. The underlying objective is to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued there under so that we are aware of the clients on whose behalf we are dealing.

JKBFSL has formulated 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 of the banking companies, financial institutions and intermediaries of securities market and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients.

JKBFSL has not available minimum threshold or exemption 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, irrespective of the amount of investment made by clients. Further no exemption available from carrying out Customer Due Diligence exists in respect of any category of clients.

### **7.5.2. ROLES**

Relationship Manager/ Dealer/ Branch Manager/ Branch Coordinator/ Compliance Officer

- The RM/ Dealer/ BM/ Coordinator should meet the client in person at least once before opening the account at the address given by the client. In the process he may reasonably verify the living standards, source of income, financial status, etc. of the client and ensure that the details mentioned in the CRF (Client Registration Form) matches with the actual status.
- If the client is a 'walk-in client', then the concerned branch official should make independent verification about the background, identity and financial worthiness of the client.
- All mandatory proofs of identity, address and financial status of the client must be collected as prescribed by the regulatory authorities, from time to time. The proofs so collected should be verified with the originals. If the prospective client is refusing to provide any information do not forward his/ her account opening form to HO.
- IN PERSON VERIFICATION should be done by the employees for clients introduced by them.
- The KYC Department has to be completely satisfied itself about the background, genuineness and financial status of the client before recommending for opening the account. If required, the KYC Department may seek additional information/documents from the client.
- If the account is to be handled by a POA / Mandate holder, then find out what is the relationship between the client and the POA/ Mandate holder, establish the identity and background of the client and the POA/ Mandate holder (by obtaining the required documents) and ensure that the POA/ Mandate Holder has the proper authorization.
- In case of a corporate account, the branch officials should ensure that the authorized person has got the required mandate by way of Board Resolution. Also, the identity and background of the authorized person has to be established by obtaining the required documents.
- Foreign clients can deal in Indian market only to sell the shares allotted through ESOP or buy/sell as a 'foreign direct investment'. We cannot deal for foreign clients under any other circumstances.

- Please consult the Compliance Officer before dealing with any NRE, NRO, PIO or foreign clients.

### **RISK MANAGEMENT & SURVEILLANCE TEAM**

Risk Management & Surveillance Team (RMS) gives exposure to clients based on margin available in the system and clean exposure to selected clients based on recommendations of the Centre Heads. It is also the duty of RMS to validate such exposures with the financial details provided by the client in KYC forms. Where there is a trading activity of the client, which is not commensurate with the financial details declared by the client, it should be analyzed and referred to the Principal Officer with reasons of suspicion.

## **8. RECORD KEEPING**

**8.1** JKBFSL 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.

- All documents are preserved for 10 years this includes books of accounts, agreements, duplicate copies of contract notes, recorded messages, order books;
- For active account documents like KYC, agreement, passports, PAN card copy, driving license, bank letter etc are preserved permanently;
- In case account is closed if it was inactive for X no. of years then documents are maintained for 5 years from date of closure;
- For accounts, which are freeze on our own account or on receiving order from authorities, all documents are preserved until final disposition of case to the satisfaction of authorities.
- Maintaining records e.g. order slip or any piece of document, which in future can help in reconstruction of individual transaction.

**8.2** All documents & records which 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 shall be maintained.

**8.3** If there is any suspected drug related or other laundered money or terrorist property, we retain the following information for the accounts of clients in order to maintain a satisfactory audit trail to facilitate the investigating authorities:

- a) the beneficial owner of the account;
- b) the volume of the funds flowing through the account; and
- c) for selected transactions:

- the origin of the funds;
- the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
- the identity of the person undertaking the transaction;
- the destination of the funds;
- the form of instruction and authority.

**8.4** JKBFSL ensures that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, they should retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed thereunder, PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

**8.5** More specifically, JKBFSL has put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

- i. all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- ii. all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
- iii. all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- iv. all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

## **9. INFORMATION TO BE MAINTAINED**

JKBFSL has maintained and preserved the following information in respect of transactions referred to in Rule 3 of PML Rules:

- i. the nature of the transactions;
- ii. the amount of the transaction and the currency in which it is denominated;
- iii. the date on which the transaction was conducted; and
- iv. the parties to the transaction.

## **10. RETENTION OF RECORDS**

**10.1** JKBFSL has taken 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 are maintained and preserved for a period of ten years from the date of transactions between the client and JKBFSL.

**10.2** JKBFSL has formulated and implemented the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. The records of the identity of clients are maintained and preserved for a period of ten years from the date of cessation of the transactions between the client and JKBFSL.

**10.3** Thus the following document retention terms are observed:

- a) All necessary records on transactions, both domestic and international, are maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed thereunder as well as SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.
- b) Records on client identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence are also be kept for the same period.

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

**10.5** Providing audit trails to authorities for potential money laundering activities following information's are retained for reasonable period of time:-

- i. Beneficial owner of account
- ii. Volume of fund flowing through account
- iii. For selected transactions
  - a) The origin of funds;
  - b) Form in which fund was offered;
  - c) Form in which fund was withdrawn e.g. cash, cheques etc.
  - d) Identity of person taking transaction;
  - e) Destination of fund and securities;
  - f) Form of instruction and authority;

## **11. MONITORING OF TRANSACTIONS AND REPORTING**

### **11.1**

- Any transaction of retail clients of value exceeding 10 lacs are reported to compliance department if it's an irregular transaction.
- 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.
- All documents, slips, recordings etc. related to any suspicious transactions are preserved as per record keeping policy.
- Compliance/Risk Department does random checking from transaction value of which exceeds 10 lacs on monthly basis and report its finding to management and if necessary to relevant authorities.
- Any transaction/ order, which arises the suspicion of any employee, is diligently and immediately informed to compliance department.



- List of black listed clients and suspicious clients is maintained for reference of employees. Whereas no trading is been taken for clients mentioned in black list, to trade for clients in suspicious list one is to be extra vigilant.
- All the persons who are debarred/warned by SEBI/Exchanges to access capital market are treated as black list clients or any client against whom Company has reported to authorities for alleged money laundering activities and matter is still pending before or order is given against client.
- An illustrative list is provided below for reference of employees as what could be a suspicious transaction or irregular transaction
  - a) If the size of order is not commensurate with client income level disclosed or if it is more than his usual order size.
  - b) 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.
  - c) 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.
  - d) Clients whose identity verification seems difficult or clients appear not to cooperate.
  - e) Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;
  - f) Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
  - g) Substantial increases in business without apparent cause;
  - h) Unusually large cash deposits made by an individual or business;
  - i) Clients transferring large sums of money to or from overseas locations with instructions/request for payment in cash;
  - j) 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;
  - k) Requests to transfer money or securities to third parties with or without any known connection to our customers;
  - l) The transaction is not in keeping with the counterparty's normal activity;
  - m) The transaction is unusual, e.g., with respect to normal market size and frequency;
  - n) There is an unusual and unnecessary involvement of an intermediary;
  - o) 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;
  - p) Settlement is made by way of bearer securities from outside a recognized clearing system;
  - q) Cash movements in and out of an account within a short period of time.

## **11.2. ROLE OF SUB BROKERS/ APS TEAM (AS & WHEN APPOINTED BY THE COMPANY)**

### **MONITORING OF PROPRIETARY TRANSACTIONS OF SUB BROKERS/ APS:**

- For scrutiny/ back ground check of the Franchisee, websites such as [www.watchoutinvestors.com](http://www.watchoutinvestors.com) should be referred. Also, Prosecution Database/ List of Vanishing Companies available on [www.sebi.gov.in](http://www.sebi.gov.in)
- Check for high volume in proprietary account of Sub Brokers/ APs/ Sub-broker and his/ her relations.
- Scrutinize Demat account of Sub Brokers/ APs/ Sub Broker ( if DP account is with JKBFSL DP )
- List all off market transfers and if in doubt seek explanation from concerned Sub Brokers/ APs separately
- Check for third party funds (cheques received from bank accounts other than mapped bank accounts and demand drafts/ pay orders)

### **11.3. ROLE OF HUMAN RESOURCE DEPARTMENT**

- As matter of policy, all the staff of the Company has been deputed from the holding Company (J&K Bank Ltd.,) which are on the permanent rolls of the Bank.
- The Human Resource Department of the Bank and other Department Heads involved in hiring new employees have adequate screening procedure in place to ensure high standards in hiring new employees.
- Bona fides of employees are checked to ensure that the employees do not have any link with terrorist or other anti-social organizations.
- Not only Know Your Customer (KYC) policy but also “Know Your Employee” procedures are in place.
- All employees need to submit self attested copies of all identification documents namely Identity Proof, Address Proof, Photograph, Educational documents and has to be verified with originals by HRD officials under their seal and signatures.

### **11.4. ROLE OF SALES TEAM**

- Being in the field, they have market intelligence about potential mischief makers which should be brought to the notice of Compliance Officer, KYC and RMS Team.

### **11.5. ROLE OF KYC DEPARTMENT**

- KYC forms and other documents drafted should invariably have undertaking from the client that he is not indulging in or has not been associated with any money-laundering activity or terrorist activity and that he has not been convicted of any fraud/ offence/ crime by any regulatory authority existing in the country.
- All disclosure documents should have notice to the client informing about company's right to obtain and disclose any information about the client to the competent authority as may be required.

### **11.6. ROLE OF TRAINING DIVISION**

- Briefings to new employees at induction programs and rounds of small meetings and presentations at branch locations.
- Adequate training should be given to all the concerned employees to
  - (a) ensure that the contents of the guidelines are understood , and

(b) develop awareness and vigilance to guard against money laundering and terrorist financing.

- As of now, AML policy is covered during the induction training given to all new recruits and also during the on-going compliance sessions conducted periodically.

#### **11.7. ROLE OF INTERNAL AUDIT**

- This Policy will be reviewed regularly by the Internal Audit Head for its effectiveness since the person reviewing the policy should be different from the person framing the policy.

#### **11.8. CASH TRANSACTIONS**

As a policy JKBFSL do not accept cash against settlement and or margin obligations for dealing in securities. All payments must be received from the clients strictly by account payee crossed cheques drawn in favour of JKB Financial Services Limited. or through NEFT/RTGS from client`s designated bank account only. The same is also required as per SEBI circular no. SMD/ED/IR/3/23321 dated November 18, 1993 and SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003.

**In case account payee cheques have been received from a bank account other than the one registered with us, same shall be treated as third party transfer and no credit shall be given to client until the client gets the same updated in our records by submitting a written request along with necessary supporting documents.**

Only in exceptional cases, bank draft/ pay-order may be accepted from the client provided client submits written declaration along with bank statement/ acknowledged copy of bank pay-in slip/ a certificate obtained from the issuing bank verifying the client`s credentials.

#### **12. SUSPICIOUS TRANSACTION MONITORING & REPORTING**

- Any suspicious transaction is immediately notified to the Principal Officer or any other designated officer within the Company.
- The notification is done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion.
- However, it is ensured that there is continuity in dealing with the client as normal until told otherwise and the client is been brought to the notice of the report/suspicion.
- In some cases transactions are aborted by clients on being asked to give some details or to provide documents. Further JKBFSL has to report all such transaction in STR`s, even if not completed by clients, irrespective of the amount of the transaction.
- In exceptional circumstances, consent may not be given to continue to operate the account, and transactions are suspended, in one or more jurisdictions concerned in the transaction, or other action taken.
- 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 are also subject to appropriate counter measures.

#### **13. LIST OF DESIGNATED INDIVIDUALS/ENTITIES**

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

Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>. JKBFSL has directed to ensure that accounts are not opened in the name of anyone whose name appears in said list and it 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 have to be immediately be intimated to SEBI and FIU-IND

#### **14. PROCEDURE FOR FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES**

JKBFSL is aware that under section 51A of Unlawful Activities (Prevention) Act, 1967, 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.

#### **15. REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA**

**15.1** In terms of the PML Rules, JKBFSL is aware that it 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>**

**15.2** JKBFSL has gone through all the reporting requirements and formats which are divided into two parts - Manual Formats and Electronic Formats. Details of these formats are given in the documents (Cash Transaction Report- version 1.0 and Suspicious Transactions Report version 1.0). These documents contain detailed directives on the compilation and manner/procedure of submission of the manual/electronic reports to FIU-IND. JKBFSL, if not in a position to immediately file electronic reports, may file manual reports with FIU-IND as per the formats prescribed. Detailed instructions for filing all types of reports are given in the instructions part of the related formats, JKBFSL shall adhere to the following:

- a) The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15<sup>th</sup> of the succeeding month.
- b) The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction. 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 Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND;
- d) 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.
- e) No nil reporting needs to be made to FIU-IND in case there are no cash/suspicious transactions to be reported.

**15.3** JKBFSL shall not put any restrictions on operations in the accounts where an STR has been made. JKBFSL and their 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. It is clarified that the JKBFSL, 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.

## **16. DESIGNATION OF AN OFFICER FOR REPORTING OF SUSPICIOUS TRANSACTIONS**

Principal Officer is responsible for reporting suspicious transactions to higher authorities. Transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND.

Names, designation and addresses (including email addresses) of ‘Principal Officer’ including any changes therein shall also be intimated to the Office of the Director-FIU.

## **17. EMPLOYEES’ HIRING/EMPLOYEE’S TRAINING/ INVESTOR EDUCATION**

### **17.1 HIRING OF EMPLOYEES**

As matter of policy, all the staff of the Company has been deputed from the holding Company (J&K Bank Ltd.,) which are on the permanent rolls of the Bank. JKBFSL identifies the key positions within the organization structures and ensures that the employees deputed from the Bank are suitable and competent to perform those duties

Further, no candidate has been selected who has ever been convicted of offence under Money Laundering Act or any other civil or criminal Act.

### **17.2 EMPLOYEES’ TRAINING**

Ongoing training of AML and CFT procedures is given to frontline staff, back office staff, Compliance staff, risk management staff and staff dealing with new clients.

### **17.3 INVESTORS EDUCATION**

Before account opening JKBFSL demands certain information like documents evidencing source of funds/income tax returns/bank records etc. from investors which may be of personal nature for Implementation of AML/CFT measures. We educate the client about the importance of

AML/CFT if he does not disclose any information which is required as per the client registration procedure.

**17.4. FORMULATION/ REVIEW/ TRAINING ON “THE INTERNAL POLICY AND PROCEDURE” TO ALL STAFF/ SUB-BROKERS/ APS**

- a. Principle officer and compliance officer shall be responsible for periodic review and updation of Internal Policy and procedures on “The Prevention of Money Laundering Act, 2002”, in the light of latest amendments and regulatory circulars.
- b. This policy and any revision and updates therein shall be communicated to:-
  - o All employees through JKBFSL Intranet, internal circulars and during the periodic training programmes.
  - o All Branches/ sub-brokers/ APs (As & when appointed by the Company) through email and circulars and during periodic training programmes.
- c. Training programmes shall be conducted to apprise Staff and Business Associates about various compliance requirements and Internal Policy and procedures on “The Prevention of Money Laundering Act, 2002” from time to time for effective implementing of specific procedures for customer identification and retaining internal records of transactions.
- d. The Internal Policy shall be placed before the Board, and changes, if any, in the policy are warranted, the revised policy should be placed before the Head for review and approval

**18. CONTACT DETAILS OF PRINCIPAL OFFICER**

In case any further information / clarification, the ‘Principal Officer’ may be contacted at:-

Mr. Mohammad Shafi Mir  
Gole Market, Karan Nagar  
Srinagar-190010  
Phone No: 9419014553  
Email ID: [complianceofficer@jkbfsl.com](mailto:complianceofficer@jkbfsl.com)