

JAMBUWALA COMMODITIES PRIVATE LIMITED

POLICIES AND PROCEDURE FOR PREVENTION OF MONEY LAUNDERING

REVIEW OF POLICY 2015

1. POLICY:

Company has resolved that it would, as an internal policy, take adequate measure 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.

2. IMPLEMENTATION OF POLICY:

2.1 Mr. Kamal Shah, will be the Principal Officer who will be responsible for

- Compliance of the provisions of PMLA and AML guidelines;
- Act as central reference point and play an active role in identification and assessment of potentially suspicious transactions;
- Ensure that JCSPL discharges its legal obligation to reporting suspicious transaction to the concerned authorities.

2.2 The Main aspects of this policy is customer due diligence process which means:

- Obtaining sufficient information about to the client who is the beneficial owner of the securities and on whose behalf the transactions is conducted;
- Verify the customers' identity using reliable, independent source document, date or information;
- Conduct on-going due diligence and scrutiny of the account/client to ensure that the transactions conducted are consistent with the clients' background/financial status, its activities and risk profile.

2.3 The customer due diligence process includes three specific parameters:

- Policy for acceptance of clients.
- Client Identification Procedure.
- **RISK PROFILING OF THE CLIENT:**
- Suspicious Transaction Identification and Procedure.

3. CUSTOMER ACCEPTANCE POLICY (CAP):

3.1

- **Each client should meet in person:**Accept client whom we are able to meet personally. Either the client should visit office/branch or concerned official may visit the client at his residency / office address to get the necessary documents filed in and signed.
- **Accept client on whom we are able to apply appropriate KYC procedures:**Obtain complete information from the client. It should be ensured that the initial forms taken

by the client filled in completely. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified.

- **Do not accept clients with identity matching persons known to have criminal background:** Check whether the client's identify matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory agency worldwide.
- **Be careful accepting clients of special category:** We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically exposed Persons (PEP), persons of foreign origin, companies having closed share holding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non face to face clients, and clients with dubious background. Current / Former Head of State, Current/Former senior high profile politician, companies offering foreign exchange, etc.) or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc.). Scrutinize periodically the records / documents pertaining to clients belonging to aforesaid category.
- **Do not accept client registration forms which are suspected to be fictitious:** Ensure that no account is being opened in a fictitious / benami name or any anonymous basis.
- **Do not compromise on submission of mandatory information/documents:** Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.

3.2 Customer Identification Procedure (CIP) (FOR NEW CLIENTS):

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

Necessary checks before opening new account should be taken so as to ensure that the identity of customer doesn't match with any criminal background or with banned entity such as individual terrorist or terrorist organisations or with any identity in the list floated by SEBI/ RBI / Exchanges etc. Such lists should be invariably consulted to ensure that prospective person(s) or organisations, desirous to establish relationship, are not in any way involved in any unlawful activity and that they do not appear in such lists.

A profile for each new client must be prepared based on risk categorization. The nature and extent of due diligence shall depend upon the risk perceived. The KYC staff should strictly maintain secrecy of customer information.

3.2.1 Documents which can be relied upon:

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

- 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, Aadhar Card, or any Government/PSU/Bank issued photo identity card.
- ADDRESS Proof: For valid proof we can rely on Voter's Identity CARD, Passport, Bank Statement, Ration Card, Aadhar Card and latest Electricity/Telephone bill in the name of the client.

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

- a. In case of Individuals, one self attested copy of the following documents have to be obtained:
 - As PAN is mandatory, verify its genuineness with IT website and cross verify the PAN card copy with the Original.
 - Other Proofs for identity are Voter's Identity card, Passport, Ration Card, Aadhar Card or any Government/PSI/Bank issued photo 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, Bank Statement, Ration Card, Aadhar Card and latest Electricity/telephone bill in the name of the client or any other document prescribed by the regulatory authorities.
- b. In case of 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.
 - Copy of the PAN Card and the Director Identification No. (DIN).
 - 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.
 - Proof of address and identity of Authorised Person.
- c. In case of partnership firm one certified copy of the following must be obtained:
 - Registration Certificate.
 - Partnership Deed.
 - PAN card of partners.
 - Authorised letter for the person authorised to open and operate the account.

- Proof of identity and address of the authorised person.
- Annual statement/returns of the partnership firm.

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

- Registration Certificate
- Trust Deed
- PAN card
- Authorization letter for the entity authorised to act on their behalf
- Officially valid documents like PAN card, voters ID, passport, etc of person(s) authorized to transact on behalf of the Trust.

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

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

4. RISK PROFILING OF THE CLIENT:

4.1 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 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 transactions, manner of payment, etc.

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

- Category A – Low Risk

- Category B – Medium Risk
- Category C – High Risk

- 4.2.1 Category A Clients are those pose low or nil risk. They are good corporate/HNIs who have respectable social and financial standing. These are the clients who make payment on time and take delivery of shares.
 - 4.2.2 Category B clients are those who are intra-day clients or speculative clients and clients who trade in derivatives segment.
 - 4.2.3 Category C clients are those who have defaulted in the past, have suspicious background, do not have any financial status, PEP, CSC cheque bounced clients, customers who repeatedly are giving demand drafts for trade etc.
- 4.3 The categorization of the client will be first done by the KYC Department and the client will then be placed under monitoring of Risk Management Department (RMS) of the company.
 - 4.4 We have to be careful while monitoring the transactions of B and C category clients.
 - 4.5 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.
 - 4.6 Any change in the risk profile of the client/mandate holder, has to be ascertained by the RMS Department in consultation with Compliance and KYC Departments and reported to Shri Kamal Shah, immediately.

5. MONITORING OF TRANSACTIONS:

- 5.1 Continuous monitoring is an essential ingredient of effective KYC procedures and the extent of monitoring should be according to the risk sensitivity of the account. All clients will be under continuous monitoring of RMS Department and it shall pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. Transactions that involve large amount of cash inconsistent with the size of the balance maintained may indicate that the funds are being 'washed' through the account. High risk accounts shall be subjected to intensive monitoring.
- 5.2 In case of any unusual trading found in the account, the RMS Department first inform to the Compliance Department which will report to the Board of Directors of company and will take appropriate action as per the direction of the board of directors.
- 5.3 Documents taken during CDD shall be updated on regular intervals, in case the client is not active / no transactions for 2 years such documents shall be taken at the time of reactivation.

5.4 No cash transactions shall be allowed, Demand draft shall be accepted only in exceptional cases and norms for proofs as per SEBI / Exchanges in the relevant circulars issued shall be followed.

5.5 The board of directors may appoint internal auditor to check and verify the application of KYC procedures.

6. SUSPICIOUS TRANSACTIONS:

All are requested to analyze and furnish details of suspicious transactions, whether or not made in cash. It should be ensured that there is no undue delay in analysis and arriving at a conclusion.

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

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

Reasons for Suspicious:

- Identity of client:
 - False identification documents
 - Identification documents which could not be verified within reasonable time
 - Non-face to face client
 - Clients in high – risk jurisdiction
 - Doubt over the real beneficiary of the account
 - Accounts opened with names very close to other established business entities
 - Non – Delivery of welcome kit undelivered at the address given by the client.
- Suspicious Background:
 - Suspicious background or links with criminals
- Multiple Accounts:
 - Large number of accounts having a common parameters such as common partners / directors / promoters / address / email address / telephone numbers introducers or authorised signatory
 - Unexplained transfers between such multiple accounts.

➤ Activity in Accounts:

- Unusual activity compared to past transactions
- Use of different accounts by clients alternatively
- Sudden activity in dormant accounts
- Activity inconsistent with what would be expected from declared business
- Account used for circular trading.

➤ Nature of Transactions:

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

➤ Value of Transactions:

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

6.2 What to Report:

- The nature of transactions
- The amount of the transactions and the currency in which it was denominated
- The date on which the transactions was conducted; and
- The parties to the transactions;
- The reason of suspicion.

7. RECORD KEEPING:

- To comply with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PML Act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.
- Maintaining 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.

- 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, registered intermediaries should retain the following information for the accounts of their customers 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:
 - The origin of the funds;
 - The form in which the funds were offered or withdrawn, e.g. cash, cheques, etc;
 - The identity of the person undertaking the transaction;
 - The destination of the funds;
 - The form of instruction and authority.

- Ensure that all customers and transaction records and information are available on a timely basis to the competent investigating authorities. Where appropriate, they should consider retaining certain records, e.g. customer identification, account files, and business correspondence, for periods which may exceed that required under the SEBI Act, Rules and Regulations framed there-under PMLA 2002, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

- Maintain updated list of individuals / entities which are subject to various sanctions / measures pursuant to United Nations Security Council Resolutions (UNSCR), available from the URL <http://www.un.org/sc/committees/1267/consolist.shtml>. (Referred to as designated individual / entities) in electronic form. Ensure before opening any new account that the name of the proposed customer does not appear in the list of designated individuals / entities.

- 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. In the event of matching any particulars of designated individuals / entities, inform the full particulars of the funds, financial assets or economic resources or related services held in the form of securities, within 24 hours to the Joint Secretary (IS.I) Ministry of Home Affairs, at a given fax / phone number and email id. It should also be sent to the email id and address of SEBI as mentioned. In the event of matching the details beyond doubt, prevent the persons from conducting any further financial transactions under intimation to the Joint Secretary (IS.I) Ministry of Home Affairs, at a given fax/phone number and email id. It should also be sent to the email id and address of SEBI as mentioned. File STR to FIU-IND, covering all transactions

8. RETENTION OF RECORDS:

- The following document retention terms should be observed:
 - a) All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period prescribed under the relevant Act (PMLA, 2002 as well SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars issued from time to time.
 - b) Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the same period.
- In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.

9. EMPLOYEES' HIRING AND TRAINING:

- Hiring of Employees
JCSPL shall have adequate screening procedures in place to ensure high standard when hiring employees. It shall identify the key positions within the JCSPL's structure having regard to the risk of money laundering and terrorist financing.
- Employees' Training
JCSPL shall have an ongoing employee-training programmed so that their staff are adequately trained in Anti Money Laundering and Combating Financing of Terrorism procedure

10. INVESTORS' EDUCATION

JCSPL shall prepare this specific literature / pamphlets so that the clients/sub-brokers/Authorised Person can be educated on the objectives of the Anti-Money Laundering (AML) / Combating Financing of Terrorism (CFT) programmed.

11. REVIEW OF THE POLICY

The policy shall be reviewed from time to time as and when required by the Management and also implement the change after any change in the Anti-Money Laundering Act 2002 or change in any other act, bye-laws, rules, regulations of SEBI, CBI or in any statutory and regulatory government department related to or affect to this.

12. MODIFICATION/CHANGES OF POLICY:

The Board of Directors of company reserves the right to modify/change the policy and apply them with retrospective effect.

CUSTOMER IDENTIFICATION REQUIREMENT – INDICATIVE GUIDELINES

Particulars	Guidelines
Trust/Nominee or Fiduciary Accounts	<p>There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. The KYC Officials/dealers should determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, the officials shall insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place.</p> <p>While opening an account for a trust, Officials should take reasonable precautions to verify the identity of the trustees and the settlers of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries should be identified when they are defined. In the case of a 'foundation', steps should be taken to verify the founder managers/ directors and the beneficiaries, if defined.</p>
Accounts of companies and firms	<p>KYC Officials/Dealers need to be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with brokers. Dealers should examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perception e.g. in the case of a public company it will not be necessary to identify all the shareholders. But at least promoters, directors and its executives need to be identified adequately.</p>
Client accounts opened by professional intermediaries	<p>When the KYC Officials/dealer has knowledge or reason to believe that the client account opened by a professional intermediary is on behalf of a single client, that client must be identified. KYC Officials/dealer may hold 'pooled' accounts managed by professional intermediaries on behalf of Entities like mutual funds, pension funds or other types of funds. KYC Officials/dealer should also maintain 'pooled' accounts managed by lawyers/chartered accountants or stockbrokers for funds held 'on deposit' or 'in escrow' for a range of clients. Where funds held by the Intermediaries are not co-mingled at the branch and there are 'sub-accounts', each of them attributable to a beneficial owner, all the beneficial owners must be identified. Where such accounts are co-mingled at the branch, the branch should still look through to the beneficial owners. Where the broker rely on the 'customer due diligence' (CDD) done by an intermediary, it shall satisfy itself that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements.</p>
Accounts of Politically Exposed	<p>Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-</p>

Persons(PEPs) resident outside India	owned corporations, important political party officials, etc. KYC Officials/dealer should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. KYC Officials/dealer should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The dealers should seek prior approval of their concerned Heads for opening an account in the name of PEP.
Accounts of non-face-to-face customers	With the introduction of telephone and electronic broking, increasingly accounts are being opened by brokers for customers without the need for the customer to visit the broker branch. In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, there must be specific and adequate procedures to mitigate the higher risk involved. Certification of all the documents presented shall be insisted upon and, if necessary, additional documents may be called for. In such cases, dealers may also require the first payment to be effected through the customer's account if any with another broker which, in turn, adheres to similar KYC standards. In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and the dealers might have to rely on third party certification/introduction. In such cases, it must be ensured that the third party is a regulated and supervised entity and has adequate KYC systems in place.

⇒ **Category A (Low Risk):**

Individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile may be categorized as low risk. The illustrative examples of low risk customers could be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover, Government Departments and Government owned companies, regulators and statutory bodies etc. In such cases, only the basic requirements of verifying the identity and location of the customer shall be met.

⇒ **Category B (Medium Risk):**

Customers that are likely to pose a higher than average risk to the broker may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc; such as:

- ❖ Persons in business/industry or trading activity where the area of his residence or place of business has a scope or history of unlawful trading/business activity.
- ❖ Where the client profile of the person/s opening the account, according to the perception of the branch is uncertain and/or doubtful/dubious.

⇒ **Category C (High Risk):**

The dealers may apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear. The examples of customers requiring higher due diligence may include

- a) Non Resident Customers,
- b) High Net worth individuals
- c) Trusts, charities, NGOs and organizations receiving donations,
- d) Companies having close family shareholding or beneficial ownership
- e) Firms with 'sleeping partners'
- f) Politically Exposed Persons (PEPs) of foreign origin
- g) Non-face to face customers, and
- h) Those with dubious reputation as per public information available, etc.

Jambuwala Commodities Private Limited

Principle Officer