

RATNABALI SECURITIES PRIVATE LIMITED

Woodburn Central, 3rd Floor, 5A, Wood Burn Park Road, Kolkata WB 700020

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Prevention of Money Laundering Act Policy

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POLICY AND PROCEDURES FOR PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

The Prevention of Money Laundering Act, 2002(PMLA) has been brought into force with effect from 1st July, 2005. As per the provisions of the Act and the SEBI Master Circular No. CIR/ISD/AML/3/2010 dated 31.12.2010, every stock-broker, sub-broker registered under section 12 of the Securities and Exchange Board of India Act, 1992 (SEBI Act, 1992) shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA.

Such transaction includes:

☐ ☐ All cash transactions of the value of more than Rs 10 lacs or its equivalent in foreign currency,

☐ ☐ All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month,

☐ ☐ All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as demat account, security account maintained by registered intermediary.

As per the provisions of the Act every Stock Broker and Depository Participant has to develop and implement policies and procedures for prevention of money laundering and terrorist financing.

In line with the said Regulations following “**Policies and Procedures**” has been adopted.

1. Types of Clients:

The Company operates in two segments:

- (a) Share Broking in various Stock Exchanges.
- (b) Depository Participant of NSDL

Both these activities are well regulated by different statutory bodies like SEBI, various Stock Exchanges and NSDL etc. These statutory bodies have inter-alia laid down norms in respect of opening of Client Accounts – both trading account for Share Broking Segment and Demat Account for Depository Services.

In its usual and normal course of its business the Company may have following types of Clients:

- (i) Individual : Major/Adult
- (ii) Individual :Minor
- (iii) Partnership Firm

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- (iv) Hindu Undivided Family
- (v) Body Corporate
 - (a) Pvt. Ltd. Company
 - (b) Public Ltd. Company
- (vi) Trust /Society
- (vii) Non-Resident Indians
- (viii) Non- Resident/Foreign Nationals
- (ix) Domestic Financial Institutions (Other than Banks & Insurance)
- (x) Banks
- (xi) Insurance Companies
- (xii) Statutory Bodies
- (xiii) Foreign Institutional Investors
- (xiv) OCB

Individual type for Clients include:

- (i) Illiterate Clients
- (ii) Deceased Clients
- (iii) Clients holding Securities in joint names.

Guidelines have been formulated by different statutory bodies including Stock Exchanges and Depositories prescribing therein limitations or restrictions for opening and maintenance of accounts.

Hence, at the time of opening of any new client account, such limitations or restrictions are to be adhered to and any query in this regard needs to be referred to Compliance Officer for his final decision in the matter.

1.1 Customer Due Diligence:

The customer due diligence (CDD) measures comprise the following:

- a. To obtain sufficient information in order to identify persons who beneficially own or control securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party should 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 persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.
- b. To verify the customer's identity using reliable, independent source documents, data or information;

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

d. To verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c); and

e. To conduct 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 the registered intermediary's knowledge of the customer, its business and risk profile, taking into account, where necessary, the customer's source of funds.

1.2 Reliance on Third Party for carrying out Client Due Diligence (CDD)

i. The Company may rely on a third party for the purpose of (a) identification and verification of the identity of a client and (b) determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.

ii. 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 the registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

2. Policy for acceptance of clients:

As a measure of customer acceptance policies and procedures that aim to identify the types of customers that are likely to pose a higher than the average risk of money laundering or terrorist financing following safeguards are to be followed while accepting the clients:

a) Only the client account with strong reference should be opened after proper in person verification. No walk-in clients should be entertained.

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

c) Factors of risk perception shall be considered by verifying registered office address, correspondence addresses, nature of business activity, trading turnover etc . and manner of making payment for transactions undertaken. The clients shall be classified into low, medium and high risk categories. Clients of special category as mentioned in para. 4 below shall be categorized in higher

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category requiring higher degree of due diligence and regular update of KYC profile. Further low risk provisions should 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.

d) It 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.

http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml

<http://www.un.org/sc/committees/1988/list.shtml>).

e) 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.

f) Proper documentation and other information shall be collected in respect of different classes of clients depending on perceived risk and having regard to the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI and SEBI from time to time.

g) No account shall be opened where the Company is unable to apply appropriate clients due diligence measures / KYC policies. The Company shall not continue to do business with a person with suspicious activity in consultation with relevant authorities.

h) The persons acting for/ on behalf of the clients shall have an authority / consent letter. Adequate verification of a person's authority to act on behalf the client should also be carried out by compliance department.

i) 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.

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3. Risk-based Approach:

It is generally recognized that certain customers may be of a higher or lower risk category depending on circumstances such as the customer's background, type of business relationship or transaction etc. As such, the registered intermediaries should apply each of the customer due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that the registered intermediaries should adopt an enhanced customer due diligence process for higher risk categories of customers. Conversely, a simplified customer due diligence process may be adopted for lower risk categories of customers. In line with the risk-based approach, the type and amount of identification information and documents that registered intermediaries should obtain necessarily depend on the risk category of a particular customer.

3.1 Risk Analysis

Based on due diligence procedure exercise, the Company shall analyze the risk posed by the client. Apart from regular financial and business risks, it shall also consider the following risks:

- a) Clients with dubious reputation as per public information available etc.
- b) Clients' not visiting office for opening of accounts.
- c) Clients in whose case mails are returned undelivered.
- d) Clients willing to pay in cash.
- e) Clients willing to trade in exceptionally large volume which are not commensurate with their available financial records.
- f) Clients located in a known notorious locality
- g) Clients introduced by some one who himself does not have a sound or satisfactory record.
- h) 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.

Depending upon other complexities, there may be other risk factors which also need to be given due consideration. Such risks shall be analyzed and depending upon the risk posed, the associated client may be categorized under Low, Medium, and High Risk Category. It is further clarified that risk analysis shall also be a continuous function in order to identify the risks of non-compliance and potential violation of different statutes like SEBI, PMLA etc.

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4. Clients of special category (CSC):

Such clients include the following

- a. Non resident clients
- b. High networth clients,
- c. Trust, Charities, 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., Head of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.
- 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. While dealing with clients in high risk countries where the existence/effectiveness of money laundering control is suspect, intermediaries 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), shall also independently access and consider other publicly available information.
- i. Non face to face clients
- j. Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and the Company and principal officer should exercise independent judgment to ascertain whether new clients should be classified as CSC or not.

5 Client identification procedure:

- No walk- in client should be entertained, i.e. it must be introduced by a proper reference of any known person.
- The identity of the client should be properly identified by way of in person verification, PAN card, identity proof, address proof, etc. The in person verification should be done by the employee of the Company authorized for the purpose.
- KYC form should be properly executed in accordance with the requirement of the regulatory authority before becoming the client of the Company.

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- Additional care should be taken to determine the clients who are Politically Exposed Person (PEP). Additional information should be collected in case of PEP. The sources of funds of PEP should be identified.
- The client should be identified by the Company by using reliable sources including documents / information. The intermediary should obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- The information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the Company in compliance with the Guidelines. Each original documents should be seen prior to acceptance of a copy.
- ☐ Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the higher authority within the Company.

5.1 Documentary Evidences to be Obtained

Section 12 of Prevention of Money Laundering Act and Rules 9 and 10 mandatorily require us to verify and maintain the records of identity of all clients. Failure to obtain such documents shall entail severe prosecution and penalties, etc.

In such a view it is mandatory to obtain following documents/proof of Identity whenever a new Client account is proposed to be opened. The requirement is in respect of verification and collection of documentary evidence in respect the following two criteria:

- (a) Proof of Identity, and
- (b) Proof of Address.

In addition to above two we also have to obtain and consider

- (a) Proof of Bank account
- (b) Proof of Demat Account
- (c) Financial Status
- (d) Nature of Business

A) The documentary requirements are set out here below in tabular form:

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Type of Client	Documentary Requirement
Individual, Karta of HUF, Partners in case of a Partnership firm and Guardian in case of a Minor	Self attested Xerox copies of Officially valid document containing details of <ul style="list-style-type: none"> (i) permanent address or addresses, (ii) Recent Photograph (iii) Such other documents including in respect of the nature of business and financial status of the Client, as may be required by the company
Company	<ul style="list-style-type: none"> (i) Certificate of Incorporation (ii) Memorandum and Articles of Association (iii) A resolution from the board of Directors and power of attorney granted to its Managers, Officers or employees to transact on its behalf. (iv) An Officially valid document in respect of Managers, Officers or Employees holding an attorney to transact on its behalf.
Partnership Firm	<ul style="list-style-type: none"> (i) Certificate of Registration by appropriate Statutory Authority. (ii) Partnership deed (iii) An Officially valid document in respect of the person holding an attorney to transact on its behalf
Trust	<ul style="list-style-type: none"> (i) Registration Certificate (ii) Trust deed (iii) An Officially valid document in respect of the person holding an attorney to transact on its behalf
Unincorporated association or a body of individuals	<ul style="list-style-type: none"> (i) Resolution of the managing body of such association or body of individuals. (ii) Power of Attorney granted to him to transact on its behalf (iii) An Officially valid document in respect of the person holding an attorney to transact on its behalf

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	(iv) Such information as may be required to establish the legal existence of such an association or body of individuals.
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Officially Valid Document means and includes the passport, the driving license, the Permanent Account Number (PAN) Card issued by Income Tax Department, Voter's Identity Card issued by the Election Commission of India or any other document as may be decided by the Company from time to time.

(B) Documents specified by SEBI for DP Segment

(a) Non-Body incorporation like Individual, HUF, Trust, Partnership firms etc in case of DP Segment.

In terms of Circular SEBI Circular No. SMRDP/Policy/Cir-36/2000 dated 04.08.2000 & Circular No. MRP/DoP/Cir-29/2004 dated 24.08.2004), the company is required to obtain documents towards Proof of Identity & Proof of Address. There are:

(i) Proof of Identity:

Any one of the following should be obtained

- I. Passport
- II. Voter ID Card
- III. Driving license
- IV. PAN card with photograph
- V... Identity card/document with applicant's Photo, issued by
 - a) Central/State Government and its Departments,
 - b) Statutory/Regulatory Authorities,
 - c) Public Sector Undertakings,
 - d) Scheduled Commercial Banks,
 - e) Public Financial Institutions,
 - f) Colleges affiliated to Universities (**this can be treated as valid only till the time the applicant is a student**),
 - g) Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members; and
 - h) Credit cards/Debit cards issued by Banks.

ii) Proof of Address:

Any one of the following should be obtained

- I. Ration card
- II. Passport
- III. Voter ID Card
- IV. Driving license
- V. Bank passbook
- VI. Xerox Copies of
 - a) Electricity bills (**not more than two months old**),

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- b) Residence Telephone bills (**not more than two months old**) and
- c) Leave and License agreement / Agreement for sale.

VII. Self-declaration by High Court & Supreme Court judges, giving the new address **in respect of their own accounts**.

VIII. Identity card/document with address, issued by

- a) Central/State Government and its Departments,
- b) Statutory/Regulatory Authorities,
- c) Public Sector Undertakings,
- d) Scheduled Commercial Banks,
- e) Public Financial Institutions,
- f) Colleges affiliated to Universities (**this can be treated as valid only till the time the applicant is a student**) and
- g) Professional Bodies such as ICAI, ICWAI, Bar Council etc., to their Members.

(b) Joint Holding

In case of joint holdings, Proof of Identity and Proof of Address as stated in (i) and (ii) above must be collected in respect of all the account holders.

(iv) Verification of Photocopies

Photocopies of document(s) stated in (i) and (ii) above should be verified with their corresponding originals and an authorised official should put his/her signature on the photocopies with remarks “Verified with original”.

(v) Body Incorporates

In terms of Circular, the company is required to obtain documents towards Proof of Identity & Proof of Address. There are:

(i) Memorandum & Articles of Association (MOA & AOA), board resolution for opening demat account and the list of authorised signatories’ alongwith their specimen signatures and photographs, etc.

(ii) Introduction by an existing account holder or by the applicant's bank.

(iii) Proof of address of the corporate evidenced by the document registered with Registrar of Companies or acknowledged copy of Income Tax Return or Bank Statement or Leave and License agreement/Agreement for sale.

(C) By SEBI for Trading Segment

(a) For Individual

In terms of Circular No. SEBI/MIRSD/DPS-1/Cir-31/2004 dated 26th August, 2004; the company is required to obtain documents towards Proof of Identity & Proof of Address. There are:

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(i) Proof of Identity:

Any one of the following should be obtained

I. MAPIN UID Card

II. Pan No.

III. Passport

IV. Voter ID

V. Driving license

VI. Photo Identity card issued by Employer registered under MAPIN

(ii) Proof of Address:

Any one of the following should be obtained

I. Passport

II. Voter ID

III. Driving license

IV. Bank Passbook

V. Rent Agreement

VI. Ration Card

VII. Flat Maintenance Bill

VIII. Telephone Bill

IX. Electricity Bill

X. Certificate issued by employer registered under MAPIN

XI. Insurance Policy

(iii) Verification of Photocopies

Photocopies of document(s) stated in (i) and (ii) above should be verified with their corresponding originals.

(D) For Corporates, Firms & Others

In terms of Circular No. SEBI/MIRSD/DPS-1/Cir-31/2004 dated 26th August, 2004; the company is required to obtain documents towards Proof of Identity & Proof of Address. There are:

1. Copies of the balance sheet for the last 2 financial years (copies of annual balance sheet to be submitted every year)

2. Copy of latest share holding pattern including list of all those holding more than 5% in the share capital of the company, duly certified by the company secretary/ Whole –time director/MD. (copy of updated shareholding pattern to be submitted every year)

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3. Copies of the Memorandum and Articles of Association in case of a company / body incorporate / partnership deed in case of a partnership firm

4. Copy of the Resolution of board of directors' approving participation in equity / derivatives / debt trading and naming authorized persons for dealing in securities.

5. Photographs of Partners/Whole time directors, individual promoters holding 5% or more, either directly or indirectly, in the shareholding of the company and of persons authorized to deal in securities.

Photocopies of document(s) stated hereinabove should be verified with their corresponding originals.

6. Procedure for Change of Signatories:

In case of non-individual clients, there is a possibility that signatories may be required to be changed. For example, in the case of HUF, the Karta may change due to death. In the case of a body corporate and/or Trust, authorised signatories may undergo change over a period of time. In such an eventuality, the company shall follow the following procedure:

- (a) A written request for change of signatories has to be forwarded to the company by the client.
- (b) The request shall be accompanied with appropriate, valid, legally enforceable resolution or authority, as the case may be empowering such change of signatories.
- (c) Consent of the whole of the management and in the case of HUF, all the members shall also be enclosed along with request for change of signatories.
- (d) Where change in signatories is necessitated due to death, a copy of the death certificate shall also be enclosed.
- (e) Wherever possible, the company may obtain no objection from the signatories sought to be removed.
- (f) Necessary due diligence and risk analysis shall be conducted by the company.
- (g) Documentary evidences in respect of proof of identity and proof of address as required in respect of the proposed new signatory and/or signatories shall be obtained and verified.

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- (h) To the extent applicable, formalities required in respect of opening of a new account including filling up of a fresh Client Registration Form, shall be complied with.
- (i) The matter shall be forwarded to compliance officer who shall be the person in charge to effect the change.

7. Nature of Business:

As per the provisions of the PMLA, 2002 and rules framed under that Act, it is necessary to obtain the Nature of Business of the Client. Besides, Client is required to fill up nature of business at the time of submitting Client Registration Form or Account Opening Form, as the case may be.

A self declaration from the client must be obtained to get the nature of business at the time of opening the account of the proposed client and periodically the Company shall seek confirmation from the client to ensure the nature of business recorded with the Company is current. As far as possible, Trade License should be obtained from the client to establish the nature of business of the client and during the period, the client remains a customer of the Company, renewed copy of the trade license shall be obtained in each year and kept on record of the Company. The Company may also take such steps as are necessary to ascertain the nature of business of the Client or proposed Client including hiring the outside agencies or professionals for the purpose.

In this context, it is relevant to note that wherever there is a reason for doubt about the legality of the business, extra measures should be initiated to ascertain the precise nature of business of the client and in case it comes to the knowledge of the Company that Client is engaged in illegal business or activity, the same should be promptly reported to the compliance officer and compliance officer shall take necessary steps in the matter including reporting the same to the statutory authorities. The account of all those clients having a pre-determined monthly turnover or introducing more than pre-determined number of clients shall be closely monitored to ascertain the possibility of illegal business or activity carried on by the client. The Compliance Officer shall decide the threshold limit of monthly turnover and no. of clients introduced and the same shall be communicated to field staff.

8. Financial Status of the Client:

It is also very necessary for the Company to be aware of the financial status of the Client or proposed client. The financial status of the client has a direct bearing on the business risk of the Company.

As far as possible, the client(s) shall be allowed to transact business only on availability of appropriate margin in the clients' account as prescribed by SEBI. However, even though, margin is collected, or

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where client is permitted to transact otherwise, it is necessary to ascertain the solvency position of the client and also to initiate necessary steps in timely manner.

Whereas in the case of Body Corporates, SEBI has made it mandatory to obtain the Balance Sheet annually, it will be the endeavor of the Company to obtain the Financial Statement and Income Tax Acknowledgement receipts from all of the clients of the Company. The compliance officer shall scrutinize such financial statements and in case he/she has any reason to doubt of the financial solvency of the client, he/she shall initiate such steps as are necessary in this respect including revising or refusing the client to transact business with them. Field staffs shall be adequately trained to understand the doubtful nature of transaction/activities like:

- a) Frequent change of Bank Account
- b) Frequent change of DP Account
- c) Frequent bouncing of cheques
- d) Sudden surge in number and volume of transactions and vice versa, etc.

Wherever, the Company is not provided with financial statements of the Company, depending upon the behaviour of the account of the Client with the Company, the Company may also take such steps as are necessary to ascertain the financial status of the Client or proposed Client including hiring the outside agencies or professionals for the purpose.

9.Operation of Account by Third Party:

In general, operation in trading account or Demat Account shall be carried out by the account holder only and operation by third parties shall not be allowed. However, where a valid power of attorney is executed by a client in favour of a third party and a copy of which is forwarded by the client to the company, operations may be allowed subject to due diligence of such third party and compliance Officer alone is empowered to allow or disallow such third party to operate the account of the client under reference.

GENERAL INSTRUCTIONS

I) Verification of Xerox copies of documents furnished

It is very essential and mandatory that all the Xerox copies of the documents furnished by the Client(s) are compared and verified with Originals thereof and each one of such xerox copies should be self- attested by the Client(s). Our concerned staff shall invariably sign all such Xerox copies with a “Verified with Original” stamp under his dated signatures. There can be no exception to this requirement.

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10. Continuous verification of Identity of the Client:

Verification of Identity of Client is not one time affair. Due diligence and verification is required to be carried out to verify the identity of the client at the time of opening the account from time to time. However, it is equally necessary that the identity of the client is verified at all times during which he/she remains a client of the Company. Provisions of PMLA 2002 and rules framed there under strictly prescribe that identity of the client shall always be verified at the time of executing any transaction.

Proof of Identity, Proof of Address, Nature of Business and Financial Status are the basic documents to substantiate the identity of the Client. The Company shall keep all of them current. There may be circumstances when identity of client changes, like,

Minor attaining majority

Change in Karta of the HUF

Change of Surname due to marriage, etc.

Similarly, there can be change of address, telephone nos., nature of business. It is therefore very necessary for the Company to keep its record updated. While the introducer of the client has the most important role to play in this regard, the Company shall also initiate such other steps as are necessary to continuously verify the identity of the client. Some of such measures are;

- a) Ensuring that all the cheques given by the client are of the bank and branch which was disclosed by him/her at the time of opening of account or otherwise subsequently changed by him following the proper procedure and submission of relevant documentary evidence.
- b) Ensuring that deliveries affected by the client are from the Demat Account disclosed by him at the time of opening of account or otherwise subsequently changed by him following the proper procedure and submission of relevant documentary evidence.
- c) Periodical postal dispatch of contract notes, statements at the given address of the client to ensure that address recorded with the Company is current.
- d) Sending a welcome letter on opening the account with the Company.
- e) Periodically making a telephone call to the client and asking the client to visit the office or otherwise periodically asking the field staff to visit the client.
- f) Obtaining following documents at yearly intervals :
 - i) Financial Statements
 - ii) Income Tax Return Acknowledgement Receipts
 - iii) Trade License, etc.

The company shall always remain vigilant of suspicious or potentially suspicious transactions. 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:

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- a) Clients whose identity verification seems difficult or clients appears 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;
- c) Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
- d) Substantial increases in business without apparent cause;
- e) Unusually large cash deposits made by an individual or business;
- f) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- g) Transfer of investment proceeds to apparently unrelated third parties;
- h) 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.

11. Record Keeping:

- 11.1** The Company should ensure compliance 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.
- 11.2** The Company should 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.
- 11.3** 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, 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:

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- 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.

11.4 The Company should ensure that all customer 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.

The following information should be maintained in respect of transactions referred to in rule 3 of PML rules:

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

12. Retention of Records:

12.1. The following document retention terms should be followed:

- a. All necessary records on transactions, both domestic and international, should be maintained at least for the of 5 years or such other period as prescribed under the relevant Act (PMLA, 2002 as well SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars.
- b. The Company shall maintain and preserve the record 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 five years after the business relationship between a client and The Company has ended or the account has been closed, whichever is later

12.2 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.

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

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

13. Monitoring of transactions:

13.1 Proper monitoring of transactions of the clients should be done thoroughly. Regular monitoring of transactions is vital for ensuring effectiveness of the Anti Money Laundering procedures. Normal activity of the client should be analysed in order to ascertain the deviation in any trades done which is not normal.

13.2 Special attention should be given to all complex, unusually large transactions / patterns which appear to have no economic purpose. Internal parameter should be fixed for all the clients depending on their normal trade practice, income, creditworthiness, risk factor, reference etc. Any breach of parameter should be brought should be analysed properly.

13.3 Transactions done by the clients should be scrutinized and proper clarification should be obtained for the alerts generated for any breach of parameter set by the Company.

Limit setting relating to clients of various categories like institutional/ non institutional, individual/ non individual, non-resident clients, high networth clients, Trust, Charities, NGOs etc are done as and when the client is registered with us. Further updations are carried out as needed.

Any off market/market pay in/payout instructions above the prescribed limit have to be verified by confirming with client over phone / by email/ and or trading team.

Alerts should be dropped only after getting proper and satisfactory clarification from the clients / his/ her dealer. In case of alerts for which satisfactory clarifications are not received from the clients and which are of suspicious in nature should be reported to the FIU-IND.

These records are required to be maintained and preserved for period of five years from the date of transaction between the client and the Company.

13.4 The Company should ensure a record of transaction is preserved and maintained in terms of section 12 of the PMLA 2002 and that transaction of suspicious nature or any other transaction notified under section 12 of the act

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is reported to the appropriate law authority. Suspicious transactions should also be regularly reported to the higher authorities / head of the department.

13.5 Further the compliance cell of the Company should randomly examine a selection of transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not.

14. Suspicious Transaction Monitoring & Reporting:

14.1 Appropriate steps should be taken to enable suspicious transactions to be recognised and have appropriate procedures for reporting suspicious transactions. 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 appears 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;
- c. Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
- d. Substantial increases in business without apparent cause ;
- e. Unusually large cash deposits made by an individual or business;
- f. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- g. Transfer of investment proceeds to apparently unrelated third parties;
- h. 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.

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

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14.3 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 Company should report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

15. Submission of Reports/Documents:

The company is required to submit different documents to different statutory bodies-some of them are of routine nature and some are event based. The company shall ensure that compliances in respect of these requirements are met in a timely manner and Compliance Officer of the company shall ensure that there is no incidence of non-compliance. Whereas, in general, reports/documents to NSE/SEBI are required to be submitted in monthly/quarterly/half yearly or yearly intervals, the Cash Transaction Report (CTR) & Suspicious Transaction Report are event based report and are to be submitted in the prescribed format within 15th of the succeeding month in the case of CTR and in the case of STR, within 7 days of arriving at a conclusion that any transaction whether cash or non-cash, or a series of transactions as suspicious.

16 Audit Function:

The Company shall ensure that the policies and procedures stated in this programme is followed inadvertently and for the purpose, the scope of the internal audit shall be enlarged to ensure compliance with policies, procedures, and controls relating to prevention of money laundering and terrorist financing, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff of their responsibilities in this regard.

17 Changes and Modification of the Programme:

The programme once developed shall be adopted by the Company and the Compliance Officer shall own the programme. The copy of the programme shall be forwarded to all concerned employees and field staff of the Company to create the understanding and awareness about rules, roles and responsibilities related or connected with Client Identification. Any queries or doubts shall be forwarded to the Compliance Officer, who shall be under obligation to resolve the query or the doubt.

However, rules and laws governing the business of the Company are very dynamic and undergo change from time to time. This programme is therefore also required to respond to such changes which in turn require addition, modification or deletion of some or all the clauses of this programme.

The Compliance Officer of the Company shall be responsible to ensure that this programme remains current at all times and suitable changes, addition,

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modification, deletion is made from time to time and such changes will be required to be approved by the Board and subsequent adoption by the Board.

18 Reporting to Financial Intelligence Unit- India:

The Company should report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit- India (FIU-IND) at the following address in their prescribed format :

Director, FIU-IND
Financial Intelligence Unit-India
6th Floor, Hotel Samrat
Chanakyapuri
New Delhi- 110021

19 Designation of an officer for reporting of suspicious transactions:

The Company has appointed Mr. Rakesh Pandiya, Chief Financial Officer, as a principal officer. To ensure that the Company properly discharge their 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 implementation of SEBI Master Circular no. CIR/ISD/AML/3/2010 dated 31.12.2010.

20 High standards in hiring policies and training with respect to anti-money laundering:

The Company has adequate screening procedures in place to ensure high standards when hiring employees. Mr. Rakesh Pandiya, Chief Financial Officer and has been entrusted with the responsibility of complying with the provisions of the Act and reporting of the suspicious transactions, if any. The employees of the Company has been briefed up and trained with the provisions and intention of the Act putting stress to anti money laundering and anti –terrorist financing. The clients are also educated about the requirement of the PMLA as and when the necessity arises.

21. Designation of Managing Director as Designated Director:

The Company has designated Mr. Vikash Somani, Managing Director as Designated Director to ensure overall compliance with the obligations imposed under chapter IV of the PMLA Act and the Rules.