

Anti Money Laundering Policy

The Government of India has serious concerns over money laundering activities which are not only illegal but anti-national as well. Money laundering is the process by which large amount of illegally obtained money (from drug trafficking, terrorist activity or other serious crimes) is given the appearance of having originated from a legitimate source. All crimes that produce a financial benefit give rise to money laundering.

As a market participant it is evident that strict and vigilant tracking of all transactions of suspicious nature required. As a registered intermediary, we adhere to procedure as prescribed by the PMLA and Rules notified there under.

Accordingly the Company has laid down following policy guidelines:

Appointment of Principal Officer:

Mr. Mukesh Chandra Srivastava is designated as the Principal Officer. He is responsible for implementation of internal controls & procedures for identifying and reporting any suspicious transaction or activity to the concerned authorities. Principal Officer has the right of timely access to customer identification data, other CDD information and is able to report the same to senior management or the board of directors.

Appointment of Designated Director:

Mr. Salil Kumar Shah is appointed as a designated director as per PMLA rule to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules of the PMLA act.

Purpose & Scope:

As a Financial Market Intermediary (which includes a stock-broker, sub-broker and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992) we need to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Accordingly all the back office and trading staff is instructed to observe the following safeguards:

1. No Cash transactions for trading in securities shall be allowed from any client in the normal course of business.
2. Maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA. Such transactions include:
 - Cash transactions of the value of more than Rs 10 lakhs 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 transaction involving receipts by non-profit organisations of value more than rupees ten lakhs or its equivalent in foreign currency.
 - All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as Demat account, security account maintained by the registered intermediary.
3. Trading beyond ones declared income: The turnover of the clients should be according to their declared means of income. Any abnormal increase in client's turnover shall be reported to Principal Officer. The Back Office staff should take due care in updating the clients' financial details and shall periodically review the same.

Policies & Procedures:

A. Client identification procedure:

The 'Know your Client' (KYC) Policy: -

a. While establishing the intermediary – client relationship

- No account shall be opened unless all the KYC Norms as prescribed from time to time by the SEBI / Exchanges are duly complied with, all the information as required to be filled in the KYC form (including financial information, occupation details and employment details) is actually filled in and the documentary evidence in support of the same is made available by the client. Moreover all the supporting documents should be verified with originals and client should sign the KYC & MCA in presence of our own staff and the client should be introduced by an existing clients or the known reference.
- The information provided by the client should be checked through independent source namely MCA website, Pan Verification website, exchanges & Depository websites.
- Pan No must be verified from Income Tax We Site
- Address must be verified by sending Welcome Letter / Qtly Statement of Account, and in case any document returned undelivered the client should be asked to provide his new address proof before doing any further transaction.
- We must exercise additional due diligence in case of the **Clients of Special Category** which include but not limited to :-
 - i. Non resident clients
 - ii. **High Net-Worth clients (i.e. the clients having Net-Worth exceeding 1 crore & doing the intraday trading volume of more than 4 Crore**
 - iii. Trust, Charities, NGOs and organizations receiving donations
 - iv. Companies having close family shareholdings or beneficial ownership
 - v. Politically exposed persons (PEP) of foreign origin
 - vi. Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)
 - vii. Companies offering foreign exchange offerings
 - viii. Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centres, tax havens, countries where fraud is highly prevalent.
 - ix. Non face to face clients
 - x. Clients with dubious reputation as per public information available etc.
 - xi. Such Other persons who as per our independent judgment may be classified as CSC.
- In case we have reasons to believe that any of our existing / potential customer is a politically exposed person (PEP) we must exercise due diligence, to ascertain whether the customer is a politically exposed person (PEP), which would include seeking additional information from clients and accessing publicly available information etc.
- The dealing staff must obtain senior management`s prior approval for establishing business relationships with Politically Exposed Persons. In case an existing customer is subsequently found to be, or subsequently becomes a PEP, dealing staff must obtain senior management`s approval to continue the business relationship.
- We must take reasonable measures to verify source of funds of clients identified as PEP.
- The client should be identified by using reliable sources including documents / information and we should obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- We must do necessary checks 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
- The information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in respect of statutory and regulatory requirement in future that due diligence was observed by

the intermediary in compliance with the Guidelines. Each original document 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.
- While accepting a client the underlying objective should be to follow the requirements enshrined in the PML Act, 2002 SEBI Act, 1992 and Regulations, directives and circulars issued there under so that we are aware of the clients on whose behalf we are dealing.

For client other than individuals or trust:-

Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, we must identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

I) The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

Controlling ownership interest means ownership of/entitlement to:

- i. More than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ii. More than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- iii. More than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

II) In cases where there exists doubt under clause (b-I) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner Where no natural person is identified under clauses (b-I) or (b-II) above, the identity of the relevant natural person who holds the position of senior managing official.

For client which is a trust:

Where the client is a trust, we must identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and another natural person exercising ultimate effective control over the trust through a chain of control or ownership.

We periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

b. While carrying out transactions for the client

- RMS department should monitor the trading activity of the client and exercise due diligence to ensure that the trading activity of the client is not disproportionate to the financial status and the track record of the client.
- Payments department should ensure that payment received from the client is being received in time and through the bank account the details of which are given by the client in KYC form and the payment through cash / bearer demand drafts should not be entertained.

B. Policy for acceptance of clients:

The following safeguards are to be followed while accepting the clients:

No account is opened in a fictitious / benami name or on an anonymous basis. To ensure this we must insist the client to fill up all the necessary details in the KYC form in our presence and obtain all the necessary documentary evidence in support of the information filled in KYC. We must verify all the documents submitted in support of information filled in the KYC form with the originals and in-person verification should be done by our own staff. Moreover new client should either be introduced by an existing customer or by the senior official of the company. In case we have any doubt that in-complete / fictitious information is submitted by the client, we must ask for such additional information so as to satisfy ourselves about the genuineness of the client and the information of the client before accepting his registration. We have maintained a 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> which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc and verify the names of customers in such list of

individuals and entities subject to various sanction measures of UN Security council Committee, other publicly available information and complying with Government order UAPA. **Company shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to SEBI and FIU-IND.**

We must ensure that an account is not opened where the intermediary is unable to apply appropriate CDD measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to the intermediary is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. The market intermediary shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. The market intermediary shall be cautious to ensure that it does not return securities of money that may be from suspicious trades.

We must undertake client due diligence (“CDD”) measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction. We must have a system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and develop staff members’ awareness and vigilance to guard against ML and TF

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

- a. Risk perception of the client is defined having regard to:
 1. Client’s location (registered office address, correspondence addresses and other addresses if applicable); **if client location is out of India and in any of high risk jurisdiction as defined by FATF – High risk**
 - (i) Face to face clients- Low risk
 - (ii) Clients introduced by existing face to face client-Low risk
 - (iii) Direct clients-Medium Risk
 - (iv) Clients introduced by existing other client- Medium Risk
 - (v) CSC clients: High Risk
 2. Nature of business activity, trading turnover etc., and
 3. Manner of making payment for transaction undertaking.

Type of transactions

Transactions inconsistent with client apparent financial standing- High risk

The parameter of clients into low, medium and high risk should be classified.

Clients of special category (as given above) are classified as higher risk and higher degree of due diligence and regular update of KYC profile should be performed.

Acceptance of clients through Risk – Based Approach

Our AML policy has adopted RISK based approach as per guidance and FATF Recommendations.

Master Circular categorizes clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.

The clients may be higher or lower risk category depending on circumstances such as the customer’s background, type of business relationship or transaction etc. We should apply each of the clients due diligence measures on a risk sensitive basis. Based on the client categorisation, we 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 customer. In line with the risk based approach, we should obtain type and amount of identification information and additional documents necessarily depend on the risk

category of a particular customer. Further low risk provision should not apply when there are suspicious of Money laundering / financing of terrorism or when other factors give rise to a belief that the customer does not in fact pose a low risk. Due diligence measures shall be on risk sensitive basis.

II. Ensure that no account is opened where we unable to apply appropriate clients due diligence measures KYC policies. This shall be applicable in cases where it is not possible to ascertain the identity of the client or information provided by the client is suspected to be non genuine or perceived non co-operation of the client in providing full and complete information. We should not continue to do business with such a person and file a suspicious activity report. We should also evaluate whether there is suspicious trading in the account and whether there is a need to freeze or close the account.

III. The client account should be scrutinized regularly for determining nature of transaction taken place. In case of any suspicious transaction arisen, the account should be freezed or money should not be delivered to client. The suspicious transaction shall be reported to the FIU as well as respective exchanges or depository where transactions have taken place.

IV. We have also evaluate whether there is suspicious trading in determining whether to freeze or close the account. Should be cautious to ensure that is does not return money that may be from suspicious trades. However we can consult the relevant authorities in determining what action it should take when it suspect suspicious trading.

V. Verify identity while carrying out:

- Any international money transfer operation

Risk Assessment

Company carry out risk assessment to identify, assess and take effective measures to mitigate money laundering and terrorist financing risk with respect to clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc.

The risk assessment take into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions (These can be accessed at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and <http://www.un.org/sc/committees/1988/list.shtml>).

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

Identifying & reporting Suspicious Transactions:

Regular monitoring of transactions is vital for ensuring effectiveness of the AML procedures. Every member of the company shall have an understanding of the normal activity of the client so that it can identify deviations in transactions / activities.

The compliance cell of the intermediary shall randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or no.

Every member of the company should ensure Suspicious transactions shall also be regularly reported to the compliance cell or to the principal officer and if it is in suspicious nature it should be notified and reported to the FIU by the principal officer.

Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith.

- a. gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- b. appears to be made in circumstances of unusual or unjustified complexity; or
- c. appears to have no economic rationale or bonafide purpose; or

d. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;

e. Having large number of folios i.e., more than 10 folios at the same address

Broad categories of reason for suspicion and examples of suspicious transactions for an intermediary are indicated as under:

Identity of Client

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities.
- Clients whose identity verification seems difficult or clients that appear not to cooperate.
- Clients based in high risk jurisdictions;

Suspicious Background

- Suspicious background or links with known criminals

Multiple Accounts

- Large number of accounts having a common account holder, introducer or authorized signatory with no rationale
- Unexplained transfers between multiple accounts with no rationale

Activity in Accounts

- Unusual activity compared to past transactions
- Use of different accounts by client alternatively
- Sudden activity in dormant accounts
- Activity inconsistent with what would be expected from declared business
- Account used for circular trading
- Substantial increase in business without apparent cause;

Nature of Transactions

- Unusual or unjustified complexity
- No economic rationale or bonafide purpose
- Appears to be case of insider trading
- Investment proceeds transferred to a third party
- Transactions reflect likely market manipulations

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 pattern by client

The Principal Officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

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

Our organisation categorises CSC clients as stated above in to high risk categories and apply enhanced due diligence while expanding business relationships with the identified country or persons in that country etc

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

I. Company may rely on a third party for the purpose of

- (a) Identification and verification of the identity of a client
- (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.

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.

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

C. Policy for Recruitment of personnel

The HR Department is instructed to cross check all the references and should take adequate safeguards to establish the authenticity and genuineness of the persons before recruiting. The department should obtain the following documents:

1. Photographs
2. Proof of address
3. Identity proof
4. Proof of Educational Qualification
5. References

The HR department should set high standard when hiring employees. They shall identify the key positions within own organization structures having regard to the risk of money laundering and terrorist financing and the size of business and ensure the employees taking up such key positions are suitable and competent to perform the duties.

D. Information and Retention of records

Company are required to maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

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

Company shall maintain such records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behaviour. Shall 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, Company shall retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:

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

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

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

Company will maintain and preserve the Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence for a period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later."

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 intermediary has ended or the account has been closed, whichever is later."

Company will 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 intermediary

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

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

In order to raise the compliance level and mitigate the risk, company follows the ongoing due diligence by updating the financial documents and statements on yearly basis.

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

As a registered intermediary, we ensure to comply with the procedure for freezing of funds, financial assets or economic resources or related services and ensure effective and expeditious implementation of the said order.

E. Employees' Training

Company adopted an ongoing employee training program so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind these guidelines, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements. **The training occurs on quarterly basis.** We also encourage our employees to regularly attend seminars, visit website for regular updates.

F. Investors Education

Implementation of AML/CFT measures requires back office and trading staff to demand certain information from investors which may be of personal nature or which have hitherto never been called for. Such information can include documents evidencing source of funds/income tax returns/bank records etc. This can sometimes lead to raising of questions by the customer with regard to the motive and purpose of collecting such information. There is, therefore, a need for the back office and trading staff to sensitize their customers about these requirements as the ones emanating from AML and CFT framework. The back office and trading staff should prepare specific literature/ pamphlets etc. so as to educate the customer of the objectives of the AML/CFT programme.

G. Reporting to FIU-India

As per our observations if any transaction of suspicious nature is identified it must be brought to the notice of the Principal Officer who will submit Suspicious Transaction Reporting (STR) to the FIU if required at following address

**Director,
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat,
Chanakyapuri,
New Delhi- 110021
Website: <http://fiuindia.gov.in>**

We have carefully gone through all the reporting requirements and formats given on the website of Financial Intelligence Unit – India and ensure furnishing of information within the due dates prescribed Financial Intelligence Unit – India.

We do not put any restrictions on operations in the accounts where an STR has been made. Our directors, officers and employees (permanent and temporary) are 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 is ensured that there is no tipping off to the client at any level.

H. Grievance Redressal Mechanism

Lakshmishree Investment & Securities Pvt Ltd’s grievance redressed mechanism shall be enhanced to address the concerns raised by the Investors Under grievance redressal mechanism, Investors will be allowed to approach any of the designated offices of the Company to register a complaint.

All complaints will be recorded in the complaints register and due acknowledgement will be issued to Investors with unique reference number for tracking of complaint. Investors may call in our Investor service cell at **9235395868** during office hours or write to us at **query@lakshmishree.com**.

All the personnel across the Company who directly or indirectly deal with Investors will be provided training to handle insurance related complaints. Our Investor service cell is under supervision of **Compliance officer**.

The complaints of the Investors will be duly reviewed and if required, investigated suitably and adequately. The mail or call received is read and heard and routed to concerned department to solve it on priority basis. We generally resolve and reply to query within 2 days, if not solved the matter is escalated to management for further action and decision

We display information pertaining to contact details of our senior officials for reporting grievance and Investor service cell contact details of exchanges and Regulatory body at each of our branch offices and Authorised person offices.

SEBI has also provided the mechanism for redressal of investor grievances through SEBI Complaints Redress System (SCORES) platform where Investor may approach. Investors may also contact the Investor Associations (IAs) recognized by SEBI for any assistance in filing complaints on SCORES on SEBI website (www.sebi.gov.in). Investors may also seek assistance from SEBI’s toll free helpline number 1800 266 7575 or 1800 22 7575.

Above said policies are reviewed by us on **Quarterly** basis to keep it updated as per the various amendments in the PMLA rules.

Last Policy reviewed on 19 March 2019

For Lakshmishree Investment & Securities Pvt. Ltd.

Salil Kumar Shah
Designated Director

Mukesh Chandra Srivastava
Principal Officer