

SWASTIKA INVESTMART LIMITED

Prevention of Money Laundering Act

S. No.	Particulars
1.	Background
2.	Definition of Money Laundering
3.	Objective of the Policy
4.	Financial Intelligence Unit-INDIA
5.	Policy of Organization
6.	Appointment of Principal Officer & Implementation of the Policy
7.	Client Due Diligence- 7.1 Client Acceptance Policy 7.2. Client identification procedure 7.3. Parameters to identify the level of risks of clients 7.4. Reliance on third party for Carrying out Client Due Diligence
8	Investor and employee training programmes
9.	Record Keeping & Retention of Records
10.	Monitoring of Transactions
11.	Identifying Suspicious Transactions
12.	Reporting of Suspicious Transactions
13.	Review of Policy

1. Background:

Swastika Investmart Limited ('SIL') wishes to be at the forefront, towards ensuring compliance with all the regulatory requirements and is committed to maintaining and promoting high ethical standards and business practices. As an effort in the same direction, we have prepared this Anti-Money Laundering Policy & Procedures ("Policy") in order to ensure compliance under the Prevention of Money Laundering Act, 2002 and to establish a common vision of our commitment to safeguard India's common values and international peace and security. Beside this the company is also in compliance of the the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (Maintenance of Records Rules), as amended from time to time and notified by the Government of India.

As per the provision of the Maintenance of records, the company is also obliged to maintain the proper records and keep it safeguards for the records of the company.

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

2. Definition of Money Laundering:

Money Laundering is the processing of criminal proceeds to disguise their illegal origin. It is a process by which persons with criminal intent or persons involved in criminal activities attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities, thereby avoiding prosecution, conviction and confiscation of illegal funds. Although money laundering is a complex process, it generally follows three stages:

Placement is the initial stage in which money from criminal activities is placed in financial institutions. One of the most common methods of placement is structuring— breaking up currency transactions into portions that fall below the reporting threshold for the specific purpose of avoiding reporting or recordkeeping requirements.

Layering is the process of conducting a complex series of financial transactions, with the purpose of hiding the origin of money from criminal activity and hindering any attempt to trace the funds. This stage can consist of multiple securities trades, purchases of financial products such as life insurance or annuities, cash transfers, currency exchanges, or purchases of legitimate businesses.

Integration is the final stage in the re-injection of the laundered proceeds back into the economy in such a way that they re-enter the financial system as normal business funds. Banks and financial intermediaries are vulnerable from the Money Laundering point of view since criminal proceeds can enter banks in the form of large cash deposits.

Three most common stages of Money Laundering, as mentioned above are resorted to, by the launderers. The laundered proceeds re-enter the financial system appearing to be normal business funds and Market Intermediaries may unwittingly get exposed to a potential criminal activity while undertaking such normal business transactions.

3. Objective of the Policy:

The objective of this policy framework is to:

- Create awareness and provide clarity on KYC standards and AML measures.
- Outline the obligations under PMLA.
- Provide a framework for systems and procedures.
- To prevent criminal elements from using our business for money laundering activities
- To understand the customers and their financial dealings better, which in turn would help the company to manage the risk prudently.
- To put in place appropriate controls for detection and reporting suspicious transactions in accordance with applicable laws/ laid down procedures.

4. Financial Intelligence Unit-INDIA:

The government of India set up Financial Intelligence Unit (FIU-INDIA) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister. FIU-INDIA has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordination and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

5. Policy of the Organisation:

Swastika Investmart Limited has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame work for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to FIU as per the guidelines of PMLA Rules, 2002. Further member shall regularly review the policies and procedures on PMLA and Terrorist Financing to ensure their effectiveness.

Date of Review: 9th May, 2023

Approved by: SIL Board

6. Appointment of Principal Officer, Designated Director & Implementation of the Policy:

Mrs. Smita Chaskar, Senior official is appointed as the Principal Officer and Mr. Sunil Nyati, Managing Director(who is appointed as designated director as per SEBI Circular No. CIR/MIRSD /1/2014 dated 12.03.2014) are responsible for compliance of the provisions of the PMLA and AML Guidelines act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions. They ensures that the company discharges its obligations to report suspicious transactions to the concerned authorities.

7. Client Due Diligence: These measures include the process to identify the correct identity of the client who will be the beneficial owner of the securities account. 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;

7.1. CLIENT ACCEPTANCE POLICY:

Considering the potential threat of usage of the financial services by a money launderer, it is essential to make reasonable efforts to determine the true identity of clients. SIL has to put in place effective procedures to obtain requisite details for proper identification of new customers.

1. No account is opened in a fictitious / benami name or on an anonymous basis.
2. All the clients shall require to disclose the details of designated bank account and designated demat account in the Account Opening Form. All the pay-in /pay-out of funds/ securities shall be routed through designated bank / demat account only. No cash/DD shall be accepted.
3. ALL KYC Documentations and Procedures shall be followed at the time of account opening and no account shall be opened where SIL is unable to apply appropriate CDD measures/ KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, or the information provided to the SIL is suspected to be non-genuine or there is perceived non-cooperation of the client in providing full and complete information
4. The submission of all documents required under this policy shall be pre-requisite for account opening for all clients. Incomplete application including incomplete documentation will be rejected. SIL will follow the industry standard for implementing client identification procedure.
5. The authorized official/employees of company and Authorized person(AP's) shall personally verify the photograph of the client affixed on the Account Opening Form (AOF) and the proof of identity documents with the person concerned. A stamp of "Identity Verified In Person" must be affixed (as a proof of In Person Verification) on the AOF against the photograph of the client & on the proof of identity documents. The

authorized official of the company and AP's who has done in- person verification and verified the documents with original should also sign on the AOF and ID proof.

6. Each original document shall be seen prior to acceptance of a copy. Stamp of "documents verified with originals" must be affixed along with the signature of the authorized person.
7. In case of any discrepancy or non-provision of information by the client, employees /AP's shall seek necessary clarification from the applicant and activate the account only when the discrepancy is resolved or the deficiency is fulfilled. E.g. cases where names mentioned on the AOF and that on the PAN Card do not match etc.
8. Verify the customer's identity using reliable, independent source documents, data or information.
9. Reasonable precaution to be taken that no account is opened in a fictitious/ benami name or on an anonymous basis.
10. The applicant shall be required to disclose his/ her financial status and occupation details as required by PMLA.
11. Account Opening Form (AOF) shall be strictly as prescribed by Security Exchange Board of India.
12. If the applicant has completed KYC procedure with any KYC Registration Agency (KRA), in-person-verification shall be adequate.
13. In case of clients other than an Individual or trust, viz., company, partnership firm or unincorporated association / body of individuals, is shall be mandatory for such clients to disclose the beneficial ownership in them. In particular following information shall be obtained from such clients:
 - a. Shareholding pattern of the company having more than 10% holding in the share capital
 - b. Profit sharing ratio of partners having more than 15% share in profit
 - c. Any juridical person having more than 15% of the property or capital in an unincorporated association or body of individuals
14. In case the client is trust, the following information shall be obtained from such clients:
 - a. List of the beneficiaries with 10% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.
15. SIL shall comply with the provisions of the Government order dated August 27, 2009 for implementation of Section 51A of the Unlawful Activities Prevention Act, 1967..
16. SIL shall yearly update all documents, data or information of all clients and beneficial owners collected under the CDD process
17. The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).
18. Special Due diligence for the Clients of Special Category (CSC) which shall include the following:

- a. Non- resident clients
- b. High Net-worth Clients
- c. Trust, Charities, Non- governmental Organizations and organization receiving donations
- d. Companies having close family shareholdings or beneficial ownership;
- e. Politically exposed Persons (PEPs)
- f. Clients in high risk Countries
- g. Non face to face clients

7.2. CLIENT IDENTIFICATION PROCESS:

Guidelines on information needed to be obtained to identify BO.

In case of Natural Persons

Employee/Dealer shall obtain sufficient data to verify identity of the customer, his address, his location and his recent photograph. It is required to find out whether customer is acting on behalf of another person as intermediary. Employee/Dealer shall ask for receipt of satisfactory evidence of the identity of the intermediary and person on whose behalf intermediary is acting and nature of arrangement.

In case of legal / juridical persons

Employee/Dealer shall verify legal status through the documents submitted.

Employee/Dealer shall understand the ownership and control structure of such legal person and ascertain who are the natural persons in ultimate control of the legal person. Dealer shall identify such beneficial owners who control the legal person. Even the authorised signatories of the legal persons shall be ascertained and identified. Where the client purports to act on behalf of juridical person or individual or trust, the registered intermediary shall verify that any person purporting to act on behalf of such client is so authorized and verify the identity of that person.

Also following precautions will have to be taken by SIL in order to ascertain that accounts are not misused by the clients or by any third parties for money laundering activities:

1. SIL will obtain information about the client as per the requirement mentioned in the AOF for the different categories of clients. SIL will also apply its latest technologies and tools for implementation of name screening as per the sanction list.
2. Verify client's identity by taking adequate documents/information. The information must be adequate to satisfy competent authorities.

3. SIL will register clients as per SEBI / BSE / NSE/ MSEI / MCX / ICEX /CDSL/NSDL guidelines and it will develop appropriate reporting system to monitor client's trades.
4. SIL shall yearly update all documents, data or information of all clients and beneficial owners collected under CDD process provided the client provides the information.
5. SIL shall register the details of a client, in case of client being a non-profit organisation, on the DARPAN Portal of NITI Aayog, if not already registered, and maintain such registration records for a period of five years after the business relationship between a client and the registered intermediary has ended or the account has been closed, whichever is later as per communique number CDSL/OPS/DP/POLCY/2023/363 dated June 21, 2023
6. SIL shall implement the procedure to determine whether the potential client is a politically exposed person. PEPs 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 or military officers, senior executives of the state owned corporations, important political party officials etc. In case of PEPs enhanced CDD measures shall be applicable as noted in the procedure It is required to obtain senior management approval for establishing/ continuing business relationship with PEPs. The additional norms applicable to PEP as contained in paragraph 14 of the Master Circular shall also be applied to the accounts of the family members or close relatives of PEPs. "Master Circular reference number SEBI/HO/MIRSD/MIRSDSEC- 5/P/CIR/2023/022 dated February 03, 2023.
7. Identify beneficial ownership and control i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person, verify the identity of the beneficial owner of the client and /or the person on whose behalf transaction is being conducted and understand the ownership and control structure of the client
8. Reasonable measures to be taken to verify the source of funds as well as the wealth of clients and beneficial owners identified as PEPs.
9. SIL shall conduct ongoing due diligence where inconsistencies in the information provided is noticed to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued thereunder.
10. 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
11. SIL shall have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities .If the SIL finds any transaction to be suspicious and reasonable believe that the

performing the CDD will tip off the client, then as per the as per
communique number CDSL/OPS/DP/POLCY/2023/363 dated June 21,
2023.

7.3. PARAMETERS TO IDENTIFY THE LEVEL OF RISK OF CLIENTS

At the time of acceptance: HNI, Trusts, PEPs and NRIs clients are considered as high risk clients.

During the course of Trading:

- a. High Risk Clients: The clients whose single trade value in a day is more than Rs.5 lac are considered as high risk clients.
- b. Medium Risk Clients: The clients whose single trade value in a day is less then Rs.5 lac and more than Rs. 2 lac are considered as Medium risk clients.
- c. Low Risk Clients: The clients whose single trade value in a day is less then Rs.2 lac are considered as Low risk clients.

The transactions carried out by high and medium risk clients shall be monitored with special attention commensurate with the income declared by clients. In addition to above, special emphasis shall be on identification of client/BO who might be political exposed person (PEPs) from the various sources available in public domain and availing the services of the specialized agencies. Further, approval from the senior management shall be obtained for establishing business relationships with PEPs in case of a new client and where a client has been accepted and the client or beneficial owner is subsequently found to be PEP, approval from senior management shall be obtained to continue the business relationship with such client. SIL 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.

The aforesaid parameters shall be revised from time to time.

SIL shall will identify the ML /TF risk that may arise in development of new product and new business practices including new delivery mechanisms, and the use of new or developing technologies for both new and existing products. SIL shall ensure following:

- a. To undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and

- b. Adoption of a risk based approach to manage and mitigate the risks”.

7.4. RELIANCE ON THIRD PARTY FOR CARRYING OUT CLIENT DUE DILIGENCE (CDD)

1. SIL 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.
2. 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. SIL shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

Rule 9(2) specifies:

- a. SIL shall immediately obtain the information of such client due diligence carried out by third party.
- b. SIL will take adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;
- c. Such third party shall be regulated , supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;
- d. The third party is not based in the high risk jurisdiction country or area.

8. . Investor and employee training programs:

SIL shall ensure adequate screening procedures at the time of hiring its staff. It shall also ensure that the employees dealing with PMLA requirements are suitable and competent to perform their duties. SIL will conduct PMLA awareness program for its existing employees to ensure that they are aware of their obligations under the provisions of PMLA. SIL will ensure that the new staff recruited by them is also given initial PMLA awareness training. SIL will also arrange for periodical refresher training to the staff to keep them updated on new developments and to communicate any changes in AML and CFT procedures, policies, etc. SIL shall make periodic updates to the AML Policy on the intranet for creating awareness on PMLA among the employees.

SIL shall take measures to educate the Investor about the requirements, importance and necessity of the PMLA including any amendments, circulars and notifications through new letters, personal meetings etc. Once the AML/CFT measures are implemented investor is required to provide the sensitive information like documents evidencing his source of funds, his income tax returns, bank statements etc. Clients are likely to voice their apprehensions about the motive and purpose of collecting such information by SIL. In such case Dealer / back office staff members are required to make the investor aware that these requirements are arising from the AML/CFT framework. The Dealer / back office staff should prepare specific literature & pamphlets so as to educate the investor / customer about the objectives of the AML / CFT Programme. The letters are also required to be sent to the clients on the updates of the said programme.

9. Record Keeping & Retention of Records:

PMLA stipulates that records pertaining to all cash transactions greater than Rs. 10 lakhs, and all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency are maintained for a period of 5 years.

PMLA further stipulates that all relevant documents like Account Opening Forms and their supporting documents, business correspondence and all instructions for operating the account given by client or its duly registered Power of Attorney should be maintained at least for a minimum period of 5 years after the account is closed. In cases where the records relate to on-going investigations or transaction reporting, they should be retained until it is confirmed that the case has been closed.

In view of this, SIL shall maintain the records in terms of the provisions of PMLA. The retention period shall be modified on receiving appropriate instructions from any regulatory authority like SEBI, FIU-IND or any other statutory authority. Records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, as required under Rules 7 and 8 of the PML Rules, for a period of eight years from the date of the transaction between the client and the intermediary. In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they shall be retained until it is confirmed that the case has been closed.

10. Monitoring of Transactions:

1. Member regular monitors the transactions to identify any deviation in transactions / activity for ensuring effectiveness of the AML procedures.
2. Member shall pay special attention to all unusually large transactions / patterns which appears to have no economic purpose.
3. The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/stock exchanges/FIU-IND/other relevant Authorities, during audit, inspection or as and when required. These records are required to be maintained and preserved for a period of eight years from the date of transaction between the client and intermediary as is required under the PMLA.

11.Suspicious Transactions: Intermediaries are requested to analyze and furnish details of suspicious transactions, whether or not made in cash. Suspicious transactions shall also be regularly reported to the higher authorities within the intermediary. Intermediaries shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting. It should be ensured that there is no undue delay in analysis and arriving at a conclusion. While determining suspicious transactions, intermediaries shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time. Indicative types of Suspicious Transactions, Abandoned Transactions, TAT for reporting Suspicious Transactions and additional due diligence for transactions from clients from high-risk countries are also given in the SEBI circular.

Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith gives rise to a reasonable ground of suspicion 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 bonafide purpose.

A) 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
- Receipt back of welcome kit undelivered at the address given by the client
- 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 introducer or authorized signatory
- Unexplained transfers between such multiple accounts.

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

Nature of Transactions

- Unusual or unjustified complexity
- No economic rationale or bonafide purpose
- Source of funds is doubtful
- Appears to be case of insider trading
- Purchases made on own account transferred to a third party through an off market transactions through DP account.
- Transactions reflect likely market manipulation
- 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 pattern by client
- Block deal which is not at market price or prices appear to be artificially inflated/deflated.

(B). Procedure for freezing of funds, financial assets or economic resources or related services:

Section 51A, of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an order dated August 29, 2009 detailing the procedure for the implementation of Section 51A of the UAPA. Under the aforementioned Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on

behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, any other person engaged in or suspected to be engaged in terrorism.

The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. The obligations to be followed by intermediaries to ensure the effective and expeditious implementation of said Order has been issued vide SEBI Circular ref. no. ISD/AML/CIR-2/2009 dated October 23, 2009, which needs to be complied with scrupulously. Accordingly, SEBI has issued circular ref.no. SEBI/HO/MIRSD/DOP/CIR/P/2021/36 dated March 25, 2021, which outlines a revised and effective implementation of the provisions of Section 51A through an order dated February 02, 2021 superseding the earlier orders and guidelines given on the said subject. Furtherance to the compliance of the aspect, the said guidelines have been further amended via notification dated June 08, 2021 and corrigendum dated 15th March 2023 which the company assures to comply by.

- 12. Policy on Identifying and Reporting Suspicious transactions:** The Compliance/Principal Officer for any suspicious transactions will scrutinize transactions filtered out of the following filters in detail. As the Business dynamics are very varied and complex, defining transaction types for reporting will not be undertaken at this juncture (all CTRs, STRs and NTRs). Having said that, the Principal Officer will review all the transactions thrown out by the filters and decides on a case-to-case basis to report to FIU with in stipulated time with complete details.

Further, no nil reporting shall be made if there is no Cash / Suspicious / Non – Profit organization transactions.

These filters will be reviewed regularly for any updations and modifications to make the system more robust and effective.

1. Payment for Payout to all the clients will be only through cheque. No cash payments to be entertained under any circumstances.
2. All third party cheques to the credit of clients account irrespective of the amount.
3. All payment made either by way of Demand Draft / Cheques / Money Transfer/Funds Transfer in foreign currencies irrespective of the amount. In case of DD it should be accompanied by the letter of bank in case of some unavoidable situation.
4. Deliveries/Payment made through us for more than 250% of the last 3 months average.
5. To discourage the manipulation relating to the financial strength, we have started the provision of updating the financial statements of the clients annually and this is the ongoing procedure.

What to Report:

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

13. Review of policy:

The aforesaid AML policy is reviewed on yearly basis or as and when any new circulars issued by the SEBI or relative exchanges, within one month of the same with regard to testing its adequacy to meet the compliance requirements of PMLA 2002. The Principal Officer is the authority to give directions to undertake additions, changes, modifications etc. as directed by SEBI/ FIU-IND.