

ANTI MONEY LAUNDERING (AML) AND TERRORIST FINANCING POLICY

The adoption of this policy is aimed at increasing awareness of money laundering activity and its ill effects and to simultaneously contribute, on the part of staff members to counter Money Laundering in a significant way, including guarding against the Money Laundering and Terrorist Financing all times.

Good compliance is generally best facilitated by a willing adoption of the regime of best practice; KBCMPL, as a whole, would aim at this while implementing this policy.

RATIONALE/OBJECTIVE OF THE POLICY:

Money Laundering is the process which criminals engineer to cover the real origin and ownership of dirty or illegal money emanating from criminal illegal activities, and thereby render the prosecution and confiscation of funds so generated, impossible.

The rationale, therefore, would be to reflect the global resolve to prevent and fight Money Laundering activity, by establishing governing standards to insulate the KB Capital Markets Pvt. Ltd., (hereinafter referred to as 'Company') from being used as a component of financial system to launder money.

In the light of above, the objectives have been laid down as enumerated below:

- (a) Enable the Company to conduct clean, commercial business, conforming to standards set by Stock Exchange, Depository & Regulators; within the framework designed by regulations.
- (b) To follow, without exception, the accepted standards used for KYC compliance.
- (c) To report and take suitable action, upon detecting the suspicious activity involving shades of money laundering as directed by regulators from time to time.
- (d) To comply with applicable laws with reference to Money Laundering and adhere to standards set by the regulator.

MONEY LAUNDERING:

The activity is an involvement in any transactions/or series of transactions that is designed to disguise the nature/source of proceeds derived from illegal activities, which may comprise drug trafficking, terrorism, organized crimes, murders, fraud, etc. It is important for all staff members to be conversant and be absolutely familiar with the Money Laundering process as they must be vigilant all the times and should any of the aspects involved in Money Laundering process touch/surface our business they must be able to read the danger signal and blow the whistle.

1. CLIENT IDENTIFICATION PROCEDURE: KNOW YOUR CUSTOMER (KYC)

Introduction:

The importance of KYC approach, a very essential and preliminary aspect, need not be over emphasized. The issuance of a comprehensive circular by the SEBI and Stock Exchange &

Depository on this approach depicts the seriousness and recognition attached to KYC principle in guiding the securities market Intermediaries in this regard.

The focus of KYC is 'back to basics' where elaborate standard for obtaining detailed information regarding new customers at the initial stage and that of existing customers over a period of time would be achieved. This would help in establishing the genuineness and bonafides of customers and keeping a watch over transactions, particularly those of a suspicious nature, and reporting these to the regulators/law enforcers.

A detailed programme for Client Identification and customer acceptance has been formulated as a separate document titled "Client Identification Programme-Stock Broking, Portfolio Management & Depository Services".

2. Terrorism Finance

SEBI has circulated a list of Terrorist organizations, which will require to be referred to, to check existence of such accounts of Terrorist organizations and initiate appropriate action before opening an account. If any such name does come up, the agencies/regulators should immediately be informed.

3. EVALUATION OF KYC GUIDELINES BY INTERNAL AUDITOR

An independent evaluation of KYC compliance would require to be carried out by Internal Auditor. He would be required to comment on the effectiveness for measures taken by Company for implementation of KYC guidelines.

4. RETENTION OF RECORDS:

In terms of the Exchange Rules, Bye-laws, regulations, Depository Act, SEBI Regulations, Business Rules and Bye Laws of Depository records such as KYC forms, Instruction slips, etc., pertaining to Broking, Depository & PMS transactions for specified periods are required to be maintained. In addition, the following documents in respect of accounts, which have been reported for suspicious activities, are required to be retained at the end of business relationship with the customer, which in any case shall not be less than 5 years.

- Customer Profiles
- Records of identity of clients
- Reports made to government authorities concerning suspicious customer activity relating to possible money laundering or other criminal conduct together with supporting documentation.
- Any other documents required to be retained under applicable money laundering laws/regulations.

All financial transactions records are to be retained for at least 5 years after the transaction has taken place and are to be made available for scrutiny of Law enforcing agencies, Audit functionaries as well as Regulators, as and when required.

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

5. EMPLOYEE TRAINING:

Staff would be trained on an ongoing basis for strict implementation of KYC guidelines and AML measures.

6. THE IMPORTANCE OF KYC GUIDELINES TO THE EMPLOYEES:

The Company employees will conduct themselves in accordance with the highest ethical standards and in accordance with the extant regulatory requirements and laws. Staff should not provide advice or other assistance to individuals who are indulging in money laundering activities.

Money laundering activities cover not only the criminals who try to launder their ill-gotten gains, but also the banks/ financial institutions and their employees who participate in those transactions and have knowledge that the property is criminally derived. "Knowledge" includes the concepts of "conscious avoidance of knowledge.

7. TRANSACTIONS MONITORING:

A customer's account opened with proper and reasonable identification requires active and careful review on an on-going basis by verification of transactions.

8. APPOINTMENT OF PRINCIPAL OFFICER & DUTIES OF PRINCIPAL OFFICER:

The Company shall appoint an official of a senior cadre with sufficient operational experience and investigative mind as Principal Officer (PO) under the PMLA Act who would be responsible for ensuring compliance of the provisions of PMLA. He would have the necessary freedom to act on his own authority and should report to the Board.

1. The PO's role would be to maintain controls and procedures aimed at deterring criminal elements from using the Services offered by the Company and implement this policy.
2. He will also be instrumental in adhering to KYC principle and effective customer identification and should provide necessary guidance to operating staff.
3. He shall be analyzing the transactions received for execution in the broking division of our company and alerts sent by NSDL for depository activities to find out suspicious transaction.
4. He shall keep himself abreast of all latest developments in AML area in other organizations and countries and effect the changes in AML measures suitably to improve AML exercise in the Company.
5. PO will
 - a) Maintain up-to-date list of high risk countries,

- b) Maintain an up-to-date list of individuals and entities which are subject to various sanctions measures as approved by UNSCRs
 - c) Identify unusual transactions.
6. Depending on the Suspicious Transaction Report (STR), he shall co-ordinate with senior management to decide on continuing account relationship with increased caution/alert. In this context, he would decide to report the suspicious transaction to Regulatory law enforcement agencies.
7. He shall arrange to conduct training for staff with latest developments on AML.

9. PROHIBITION – AGAINST DISCLOSING SUSPICIOUS TRANSACTION REPORT (STR)

In no circumstances, employees must alert a client or his representative/s about the suspicious transactions/dealings or about which an STR is underway for reporting to FIU.

10. Implementation of the above requirements for our activities

The Company is into the following activities:

(i) Institutional Broking

Institutional Broking is being carried out only with reputed institutions, banks and mutual funds. There is no complex or unusual transactions with no apparent economic or visible or lawful purpose. Therefore, there is no need for a policy for anti-money laundering in institutional broking. All trades are custodial trades and all payments are through proper banking channels.

(ii) Retail Broking

No clients is registered unless the same are personally known to either the directors / employees or existing clients of the company. Any walk in client has to be personally interviewed by atleast one director of the company before opening the account. We are following KYC norms before enlisting clients. We are also ensuring that all trades are settled through the banking channels and that all shares are electronically transferred to the beneficial owner through settlement systems of the exchanges. Since we have only one dealing room all large value transactions are executed by the directors themselves after examining whether there is a prima facie evidence of money laundering activity and ask for any information that may be deemed necessary.

(iv) Depository Services.

Depository activity involves transfer of shares and shares have monetary value, As such, depository activity has been brought within the purview of the PMLA Policy.

We follow KYC norms for opening accounts with our depository. The alerts send by the Depository are examining whether there is a prima facie evidence of money laundering activity and ask for any information that may be deemed necessary.

(V) Portfolio Management Services (PMS)

We manage portfolios of only those persons who have a high social standing and known personally to the Directors of the company..