

## UPDATED ANTI MONEY LAUNDERING POLICY

### 1. BACKGROUND

- A) The Prevention of Money Laundering Act, 2002 (hereinafter referred to as “PMLA Act” has come into effect from 1<sup>st</sup> July 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on 1<sup>st</sup> July 2005 by the Department of Revenue, Ministry of Finance, Government of India.
- B) Securities and Exchange Board of India have issued a circular no. ISD / QR / RR / AML / I/ 06 on January 18, 2006 to all intermediaries registered with SEBI u/s 12 of the SEBI Act, 1992 providing guidelines on Anti-money Laundering (AML) Standards. (Guidelines). SEBI had issued a master circular dated December 31 2010 which is superseded by the SEBI master circular no. SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2018/ 104 dated July 04, 2018. These guidelines are prepared in the context of the recommendations made by the Financial Action Task Force (FATF) on anti-money laundering standards.

The Guidelines as outlined below provide a general background and sets out the steps that as a registered intermediary or any of its representatives, should implement to discourage and identify any money laundering or terrorist financing activities. The relevance and usefulness of these guidelines will be kept under review and it may be necessary to issue amendments from time to time.

- C) As per the provisions of the Act, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992) shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA.
- D) **M/s. Systematix Commodities Services Private Limited** being registered with SEBI, MCX and NCDEX as Stock Broker, have to maintain a record of all the transactions; the nature & value of which has been prescribed under the Prevention of Money Laundering Act. Such transactions shall include:
- i. All cash transactions of the value more than Rs. 10 lacs or its equivalent in foreign currency
  - ii. All series of cash transactions integrally connected to each other which have been valued below Rs. 10 lacs or its equivalent in foreign currency where such series of transactions take place within one calendar month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency.
  - iii. 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 us.
  - iv. For the purpose of suspicious transactions reporting, apart from transactions integrally connected, transactions remotely connected or related are also to be considered.

### 2. POLICY STATEMENT

**Systematix Commodities Services Private Limited** take measures to combat any effort of laundering money earned through drug trafficking, terrorism and any other means of organized and serious crimes by any individual or entity. Towards this, **M/s. Systematix Commodities Services Private Limited** has put in place all such processes and procedures of internal control aimed at preventing and impeding any attempt of money laundering and terrorist financing using the services offered by the **Systematix Commodities Services Private Limited**. This policy statement would be with an intent to combat Money Laundering and would cover:

- A) Communication of group policies relating to prevention of money laundering and terrorist financing to all

management and relevant staff that handle account information, securities transactions, money and customer records etc. whether in branches, franchisee, departments or subsidiaries;

- B) Customer acceptance policy and customer due diligence measures, including requirements for proper identification;
- C) Maintenance of records;
- D) Compliance with relevant statutory and regulatory requirements;
- E) Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and
- F) Role of internal audit or compliance function 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. The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors.

### 3. **SALIENT FEATURES OF THE PMLA ACT AND THE PMLA RULES THEREOF**

Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering.

- A) **Punishment for money laundering:** Whoever commits the offence of money-laundering shall be punishable with rigorous imprisonment for a term which shall not be less than three years but which may extend to seven years and shall also be liable to fine which may extend to five lakh rupees:

Provided that where the proceeds of crime involved in money-laundering relates to any offence specified under paragraph 2 of Part A of the Schedule, the provisions of this section shall have effect as if for the words "which may extend to seven years", the words "which may extend to ten years" had been substituted.

- B) **Banking companies, financial institutions and intermediaries shall -**

- i. Maintain a record of all transactions, the nature and value of which may be prescribed, whether such transactions comprise of a single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within reasonable period of time;
- ii. Furnish information of transactions referred to in clause (a) to the Director within such time as may be prescribed;
- iii. Verify and maintain the records of the identity of all its clients, in such manner as may be prescribed:

- C) **"Suspicious transaction"** means a transaction whether or not made in cash which, to a person acting in good faith –

- i. Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- ii. Appears to be made in circumstances of unusual or unjustified complexity; or
- iii. Appears to have no economic rationale or bonafide purpose;

"Transaction" includes deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means and securities/commodities whether in demat mode or physical mode.

- D) **Maintenance of records of transactions (nature and value) –**

- i. We need to 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. For the above the information we need to maintain a satisfactory audit trail:
  - The beneficial owner of the account;
  - The volume of the funds flowing through the account; and
  - For selected transactions: The origin of the funds, the form in which the funds were offered or withdrawn, e.g. cash, cheques, etc., the identity of the person undertaking the transaction, the destination of the funds and the form of instruction and authority.

We need to ensure that all records and information are available on a timely basis to the competent investigating authorities.

- ii. Every banking company or financial institution or intermediary, as the case may be, shall put in place a system of maintaining proper record of transactions as, notified under the Prevention of Money Laundering Act (PMLA), 2002 shall maintain a record of –
  - All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency,
  - All series of cash transactions integrally connected to each other, which have been valued below rupees ten lakhs 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,
  - All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place.

**E) Procedure and manner of maintaining Information:**

- i. Every banking company, financial institution and intermediary, as the case may be shall maintain information in respect of transactions with its client, hard and soft copies in accordance with the procedure and manner as may be specified by the Reserve Bank of India or the Securities and Exchange Board of India, as the case maybe, from time to time.
- ii. Every banking company, financial institution and intermediary, shall evolve an internal mechanism for maintaining such information in such form and at such intervals as maybe specified by the Reserve Bank of India, or the Securities and Exchange Board of India, as the case may be, from time to time.
- iii. It shall be the duty of every banking company, financial institution and intermediary, as the case may be, to observe the procedure and the manner of maintaining information as specified by the Reserve Bank of India or the Securities and Exchange Board of India, as the case maybe.

**F) Procedure and manner of furnishing information:**

- i. Every banking company, financial institution and intermediary, as the case may be, shall communicate the name, designation and address of the Principal Officer to the Director, FIU - IND.
- ii. The Principal Officer shall furnish the information referred to in rule 3 to the Director on the basis of information available with the banking company, financial institution and intermediary, as the case may be. A copy of such information shall be retained by the Principal Officer for the purposes of official record,
- iii. Every banking company, financial institution and intermediary may evolve an internal mechanism for furnishing information referred to in rule 3 in such form and at such intervals as may be directed by the Reserve Bank of India or the Securities and Exchange Board of India, as the case maybe.

- iv. It shall be the duty of every banking company, financial institution and intermediary to observe the procedure and the manner of furnishing information referred to in rule 3 as specified by the Reserve Bank of India and the Securities and Exchange Board of India under sub-rule (3), as the case maybe.

**G) Furnishing of Information to the Director:**

The Principal Officer of a banking company, the financial institution and intermediary, as the case may be, shall furnish the information in respect of transactions referred to in rule 3 every month to the Director, FIU – IND, by the 7th day of the succeeding month other than transactions referred to in clauses (C) and (D) of sub-rule (1) of rule 3:

Provided that information in respect of transactions referred to in clauses (C) and (D) of sub-rule (1) of rule 3 shall be promptly furnished in writing or by way of fax or electronic mail to the Director not later than three working days from the date of occurrence of such transactions.

**H) Verification of the records of the identity of clients.**

Every banking company, financial institution and intermediary, as the case may be, shall, at the time of opening an account or executing any transaction with it, verify and maintain the record of identity and current address or addresses including permanent address or addresses of the client, the nature of business of the client and his financial status:

Provided that where it is not possible to verify the identity of the client at the time of opening an account or executing any transaction, the banking company, financial institution and intermediary, as the case may be, shall verify the identity of the client within a reasonable time after the account has been opened or the transaction has been executed.

The client depending on whether it is **an individual or non-individual account**, - shall for the purpose of sub-rule (1), have to submit to the banking company or the financial institution or the intermediary, as the case may be, the documents as stipulated in the Client registration form and which are subject to amendments issued from time to time by the various regulatory authorities.

**I) Maintenance of the records of the identity of clients.**

- i. Every banking company or financial institution or intermediary, as the case may be, shall **maintain** the records of the identity of its clients.
- ii. The records of the identity of clients shall be maintained for a period of -five years from the date of cessation of the transactions between the client and the banking company or financial institution or the intermediary, as the case maybe, the period of Maintenance of the records would also depend in accordance to the time period as stipulated under the various directives of PMLA to implement the guidelines under the PMLA Act

**4. CUSTOMER DUE DILIGENCE PROCESS**

Every banking company or financial institution or intermediary shall obtain sufficient information in order to identify persons who beneficially own or control securities account. Whenever it is apparent that the securities/commodities 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.

In-order to carry out the due diligence process, the Registered Intermediaries may rely on a third party only 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.

In addition to this, irrespective of an amount of investment made by clients, no minimum threshold or exemption is available to registered intermediaries (brokers, depository participants, AMCs etc.) from obtaining the minimum information/documents from clients as stipulated in the PML Rules/ SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients. In other words, there shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures by registered intermediaries. This shall be strictly implemented by all intermediaries and non-compliance shall attract appropriate sanctions.

For the purposes of identifying beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted -

- A. For clients other than individuals or trusts:** Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

- A) 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.

*Explanation: Controlling ownership interest means ownership of/entitlement to:*

1. *more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;*
2. *more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or*
3. *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 a, 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.

*Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.*

- iii. Where no natural person is identified under clauses a or b above, identity of the relevant natural person who holds the position of senior managing official.

- B. For client which is a trust:** Where the client is a trust, we shall 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 any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

- C. **Exemption in case of listed companies:** Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it would not be necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

5. **POLICY FOR ACCEPTANCE OF CLIENTS**

- A) **M/s. Systematix Commodities Services Private Limited** shall not accept any clients who are unable to produce satisfactory documents establishing their identity, as required under the checklist framed by **M/s. Systematix Commodities Services Private Limited** and enclosed in their Client Registration Form (CFR) and as modified from time to time under the various regulatory directives.
- B) Documentation requirement and other information to 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.
- C) No account shall be allowed to be opened in a fictitious / benami name or on an anonymous basis.
- D) Wherever any employee of **M/s. Systematix Commodities Services Private Limited** dealing with the Client or a prospective Client has a reason to believe that the Client should be categorized as 'high risk' client and therefore needs a higher degree of due diligence and regular update of KYC profile, he shall bring the same to the notice of the 'Principal Officer' as defined in this document.
- E) If the Principal Officer is of the view that the it is not possible to ascertain the identity of the client, information provided to the Company by the client is suspected to be non genuine or there is perceived non cooperation of the client in providing full & complete information, no business shall be continued with such a client and a suspicious activity report filed with the Office of the Director / Designated Authority, FIU – IND.
- F) With respect to the accounts being opened under a Power of Attorney, due diligence of the donor as well as donee would be carried out.
- G) Wherever there is a suspicion that the identity of the client resembles identity of any person having known criminal background or a person banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency, such case should be brought to the notice of the Principal Officer immediately, before opening an account with the Company. We should not continue to do business with such a person and file a suspicious activity report. It should also evaluate whether there is suspicious trading in determining whether to freeze or close the account. We should be cautious to ensure that it does not return securities/commodities of money that may be from suspicious trades. For the above, we may consult the relevant authorities in determining what action it should take when it suspects suspicious trading.
- H) Relationship Manager and Customer Service Manager are required to maintain continuous familiarity and follow up, where any inconsistencies are noticed in the information provided with respect to any account being opened.
- I) Necessary checks and balance are 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. The same have been enumerated as below:
- i) SEBI debarred entity list as updated by SEBI/Exchanges
  - ii) SEBI updates about the Amendment in UNSC's Al-Qaida and ISIL Sanctions List
  - iii) Identification of Beneficial Ownership of the non-individual clients
  - iv) <http://www.un.org/sc/committees/1267/consolist.shtml> and  
<http://www.un.org/sc/committees/1988/list.shtml>

- J) The circumstances under which client, is allowed to act on behalf of another person / entity has been enumerated below. A) Corporate accounts with Board Resolution B) Partnership accounts under an authorization letter in favour of the partner C) Non resident individual (NRI) execution power of attorney 5) family as defined by exchanges/regulators. In such case any such account opened shall be specified in what manner the account shall be operated, transaction limits for operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further rights and responsibilities of both the persons i.e. the agent- client registered with the intermediary, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.

The process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism.

#### 6. **POLICY FOR CLIENT IDENTIFICATION PROCEDURE**

- A) All such documents as specified in the checklist of the Client Registration Form as updated from time to time under various regulatory directives for respective categories of customers and as annexed with this Policy Note must be received from the Client at the time of opening of account.
- B) If the documentation produced by the prospective client is not in conformity with the requirements specified from time to time or if there are any inconsistencies noticed therein, no account shall be opened and matter to be reported to the Principal Officer immediately.
- C) Verify the customer's identity using reliable, independent source documents, data or information;
- D) 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;
- E) 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
- F) As far as possible using reasonable measures, the employee dealing with the Client should ensure that the person opening the account himself is the beneficial owner or there exists sufficient documentation to corroborate his transacting on behalf of the other person, in which case appropriate due diligence would be done on the beneficial owner as well.
- G) Wherever possible reasonably, efforts will be made by the employee dealing with the prospective Client to verify the details provided to him, using third party sources.
- H) On an ongoing basis, appropriate due diligence and scrutiny shall be performed on the customer's account to ensure that the transactions being conducted are consistent with the Company/s knowledge of the customer, its business & risk profile, taking into account, where necessary, the customer's sources of funds. Further, we shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process
- I) We shall on best effort basis with the available information, documents assess to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. In such cases we shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of Politically Exposed Persons (PEPS) as dined in clause 6.M.v. Further, an enhanced CDD measures as stated above shall also be applicable where the beneficial owner of a client is PEP.
- J) We need to ensure senior management approval for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently

becomes a PEP, we need to obtain senior management approval to continue the business relationship.

- K) Take reasonable measures to verify sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
- L) In case of failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority within the intermediary
- M) Following clients are considered to the Clients of Special Category (CSC) for whom enhanced care would need to be taken in the due diligence process of such high-risk clients.
  - i. Non-resident clients,
  - ii. High Net-worth Individuals,
  - iii. Trusts, Charities, NGOs and organizations receiving donations,
  - iv. Companies having close family shareholding or beneficial ownership,
  - v. Politically Exposed Persons (PEP) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The additional norms applicable to PEP as enumerated above shall also be applied to the accounts of the family members or close relatives of PEPs. Re-check for PEP definition
  - vi. Companies offering foreign exchange offerings
  - vii. 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](http://www.fatf-gafi.org)), shall also independently access and consider other publicly available information.
  - viii. Non face to face clients
  - ix. Clients with dubious reputation as per public information available etc..

In view of the above, we need to formulate and implement a CIP which shall incorporate the requirements of the PML Rules Notification No. 9/2005 dated July 01, 2005 (as amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients of the banking companies, financial institutions and intermediaries of securities market and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients.

- N) **Risk Based Approach:** Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. These parameters should enable classification of clients into low, medium and high risk. Clients of special category may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of KYC profile.

## 7. TRANSACTION MONITORING



Regular monitoring of transactions is vital for ensuring effectiveness of the AML procedures. We shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. The RMS team shall specify internal threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits. RMS team under online and compliance under offline surveillance keep track of the transactions

- A) As a policy, **Systematix Commodities Services Private Limited** shall not accept cash from any clients.
- B) The Principal Officer, by himself and his team or through the Internal Audit mechanism, arrange to review selection of transactions undertaken by clients so as to check if there are any suspicious transactions
- C) Record of all transactions and KYC documents collected from the Clients shall be maintained at least for such period as prescribed under the relevant Regulations. Attempt shall be made to maintain electronic scanned copies of client documentation.
- D) We shall ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.
- E) We 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 behavior.
- F) In case of 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 shall retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:
  - i. the beneficial owner of the account;
  - ii. the volume of the funds flowing through the account; and
  - iii. for selected transactions:
  - iv. the origin of the funds
  - v. the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
  - vi. the identity of the person undertaking the transaction;
  - vii. the destination of the funds;
  - viii. the form of instruction and authority.

We 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

- G) If the aggregate value of pre-funded instruments is ` 50,000/- or more, per day per client, the stock brokers may accept the instruments only if the same are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank. The mode of certification may include the following:
  - i. Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
  - ii. Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.

- iii. Certified copy of the passbook/bank statement for the account debited to issue the instrument.
  - iv. Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument.
- H) Maintain an audit trail of the funds received through electronic fund transfers to ensure that the funds are received from their clients only.
- I) Any transactions needing special attention such as complex transactions, unusually large transactions / patterns which appear to have no economic rationale etc. shall be brought to the notice of the Principal Officer.
- J) Transactions in the nature as below are few examples of suspicious transactions and any such suspicious transaction should be reported immediately to the Money Laundering Control Officer (Principal Officer) mentioned hereunder and his advice taken.
- i. Clients whose identity/ verification seems difficult or client appears not to cooperate, Portfolio Management services for clients where source of funds is not clear or not in keeping with clients apparent standing / business activity, Clients in high risk jurisdictions or clients introduced by intermediaries / referral sources based in high risk jurisdictions
  - ii. Substantial increase in business without apparent cause.
  - iii. Clients whose identity verification seems difficult or clients that appear not to cooperate
  - iv. Asset management services for clients where the source of the funds is not clear or not in keeping with clients' apparent standing /business activity;
  - v. Clients based in high risk jurisdictions;
  - vi. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
  - vii. Attempted transfer of investment proceeds to apparently unrelated third parties;
  - viii. Requests for transfer of investment proceeds to apparently unrelated third parties, unusual transactions by CSCs and business undertaken by shell corporations, offshore banks / financial services, business reported in the nature of export-import of small items, etc.
- K) It is known that Section 51A, of 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, Central Government has issued an Order dated August 27, 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, or 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 same would be adhered to the extent same is applicable to us.

Any suspicious transaction shall be immediately notified to the Principal Officer or any other designated 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 shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall 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. 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 intermediaries shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

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/FIIND/ other relevant Authorities, during audit, inspection or as and when required.

## 8. **RETENTION OF RECORDS**

### A) Information to be maintained

We shall maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

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

### B) We 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.

We shall adhere to Section 12 of PMLA Act to maintain records i.e. we shall

- i. Identify the beneficial owner, if any, of such of its clients, as may be prescribed;
- ii. maintain a record of all transactions, including information relating to the transactions in such manner as to enable it to reconstruct individual transactions;
- iii. furnish to the Designated Director within such time as may be prescribed, information relating to such transactions, whether attempted or executed, the nature and value of which may be prescribed;
- iv. verify identity of its clients in such manner and subject to such conditions, as may be prescribed;
- v. identify maintain record of documents evidencing identity of its clients and beneficial owners as well as account files and business correspondence relating to its clients.

Every information maintained, furnished or verified, save as otherwise provided under any law for the time being in force, shall be kept confidential.

We shall adhere to Rule 3 of PML Rules relating Maintenance of records of transactions (nature and value) and In addition to this, records shall be maintained for a period of eight years from the date of transaction between the client and us.

## 9. REPORTING OF TRANSACTIONS

Records of information reported to the Director, Financial Intelligence Unit – India (FIU – IND): Systematix Commodities Services Private Limited, will be maintaining and preserving the 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 five years from the date of the transaction between the client and the intermediary.

There are different types of reports, namely CTR, STR and NTR which are to be reported to FIU – IND on their website in finnet portal. The detailed instructions for filing these reports are given in the instructions part of the related formats and we need to adhere to the following:

- A) The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month; however, since we do not undertake cash transactions, CTR is not applicable to us.
- B) The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion.
- C) The Non Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month. We keep a track of the transactions done by Non Profit Organization / Public Trusts accounts maintained with us every month and accordingly evaluate the same.
- D) The Principal Officer will be responsible for timely submission of STR and NTR to FIU-IND;

Utmost confidentiality shall be maintained in filing of STR and NTR to FIU-IND. No Nil reporting needs to be made to FIU-IND in case there are no suspicious/ non – profit organization transactions to be reported. For the accounts which are been reported to FIU-IND as STR, no restrictions are to be placed on operations of the said accounts and no information about the same should be disclosed (“tip-off”) to the client at any level.

## 10. CO-OPERATION WITH AUTHORITIES

- A) The Company and its staff shall cooperate with Anti Money Laundering authorities and shall comply with requirements for reporting any suspicious transactions/activity. However, due regard must be paid to the Company’s policy of maintaining customer confidentiality. Confidential information about customers may, therefore, only be given to the authorities when there is a legal obligation to do so.
- B) The Company and its staff shall strictly ensure that there is no ‘tipping-off’ to customers about suspicious transaction report being made about their transactions/activities or that the authorities are looking into their transactions/activities. If such information is passed to a customer, it may seriously hamper the enquiry/investigation of the authorities.
- C) There may be occasions when the authorities ask for a suspect account to be allowed to continue to operate while they progress with their enquiries. In such cases, the Company would cooperate with the authorities, as far as possible, within the bounds of commercial prudence and applicable laws. Senior line management and Principal/Compliance Officer must always be kept aware of such instances.

## 11. HIRING AND TRAINING PROCESS

- A) Hiring of Employees: As a policy, Systematix Commodities Services Private Limited has adequate screening procedures including of that seeking of appropriate reference checks in place to ensure high standards when

hiring employees. Also for the key positions within the organization, we ensure that they are suitable and competent to perform their duties to combat the risk of money laundering and terrorist financing.

- B) **Employees' Training:** Systematix Commodities Services Private Limited will on an ongoing basis arrange and organize for employee training programme for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new customers, so that the employees are adequately trained in AML and CFT procedures, and that that they understand the rationale behind these guidelines, obligations and requirements.
- C) **Investors Education:** In order to implement the AML/CFT measures, we will communicate the various regulatory directives issued from to time to our branches, franchisees so as to educate them the objectives of the AML/CFT programme..

## 12. DESIGNATED DIRECTOR/ PRINCIPAL OFFICER / MONEY LAUNDERING CONTROL OFFICER/S

To ensure that we properly discharge the legal obligations to report suspicious transactions to the authorities, the Designated Director and 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.

In view of the above,

**Mr. Sunil Sarma**, is the Designated Director for **M/s. Systematix Commodities Services Private Limited** under the PMLA directives.

**Mr. Vinit Maheshwari**, is the Principal Officer for **M/s. Systematix Commodities Services Private Limited**.

The Designated Director and Principal Officer mentioned above are responsible for the following:

- i. Communicating the Policy on Prevention of Money Laundering to the employees of respective companies
- ii. Receiving reports from employees for any suspicious dealings noticed by them
- iii. Clarifying any queries from employees on this matter
- iv. Ensuring that the employees dealing with the clients / prospective clients are aware of the KYC guidelines of the Company and are advised to follow the same strictly
- v. Conduct a sample test of client dealings, by themselves or through an internal audit process, to satisfy them that no suspicious activities exist
- vi. Report any suspicious transactions to appropriate authorities

Reporting to Financial Intelligence Unit-India: In terms of the PMLA rules, intermediaries are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at Director, FIU-IND, Financial Intelligence Unit-India, 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi-110021. Website: <http://fiuindia.gov.in> and to upload the report under the appropriate login id's created with FIU-IND created for its various memberships.

## 13. REVIEW OF POLICY

The directives issued by the regulators would be adopted by the entity from time to time, but the same would be incorporated in this policy during its review. In view of which this policy document would be subject to review on periodical basis viz. annually and/or in case of any major regulatory directives.

