

NJ ADVISORY SERVICES PRIVATE LIMITED

POLICIES AND PROCEDURE FOR  
PREVENTION OF MONEY LAUNDERING

Dated: 01<sup>st</sup> February 2020



NJ ADVISORY SERVICES PRIVATE LIMITED

POLICIES AND PROCEDURE FOR PREVENTION OF MONEY LAUNDERING

INDEX

<b>Sr. No</b>	<b>Particular</b>	<b>Page No</b>
1	Background	3
2	About Money Laundering	3
3	Objectives	4
4	Financial Intelligence Unit (FIU-IND)	5
5	Anti Money Laundering Program	5
6	Written Anti Money Laundering Procedures	6
7	Client due diligence (CDD)	6
8	Record keeping	12
9	Information to be maintained	14
10	Retention of records	14
11	Monitoring of transactions	15
12	Identification of suspicious transactions	16
13	Reporting to Financial Intelligence Unit-India	16
14	List of designated individuals / entities	19
15	Procedure for freezing of funds, financial assets or economic resources or related services	19
16	Designation of officers for ensuring compliance with provisions of PMLA	20
17	Board Of Directors Approval	21
18	Employee's hiring / employee's training / Investor education	21
19	Program to test AML Program	22
20	Monitoring Employee Conduct and Accounts	23
21	Confidential Reporting of AML Non-compliance	23

## 1. BACKGROUND

The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July 2005 and it provides for Anti-money Laundering and Anti-terrorist Financing measures to be taken in India and the rules framed there under provides guidance on the practical implementation of the provisions laid down in the Act. The Director appointed by Financial Intelligence Unit-INDIA (FIU-IND) has been conferred with exclusive and concurrent powers under relevant sections of the Act to implement its provisions. The Act imposes an obligation on banking companies, financial institutions and intermediaries associated with the securities market and registered with the Securities and Exchange Board of India (SEBI) under section 12 of SEBI Act, 1992. Establishment of Anti-money Laundering programs by Market Intermediaries are one of the central recommendations of the Financial Action Task Force (FATF).

SEBI issues necessary directives from time to time vide its circulars covering issues related to Know Your client (KYC) norms, Anti Money Laundering (AML), Client Due Diligence (CDD) and Combating Financing of Terrorism (CFT). The Policy is defined in lines with its circular **SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/113 dated 15<sup>th</sup> October, 2019**. However, this policy will be subject to changes in order to incorporate further directives that SEBI may give vide its circulars on PMLA, from time to time.

## 2. ABOUT MONEY LAUNDERING

- **What is money laundering?**

All crimes that produce a financial benefit give rise to money laundering. Money Laundering refers to conversion of money illegally obtained to make it appear as if it is originated from a legitimate source. Money laundering is being employed by launderers worldwide to conceal criminal activity associated with it such as drugs & arms trafficking, terrorism & extortion, etc.

- **How does money laundering affect business?**

The integrity of the banking and financial services marketplace depends heavily on the perception that it functions within a framework of high legal, professional and

ethical standards. A reputation for integrity is the one of the most valuable assets of a financial institution.

If funds from criminal activity can be easily processed through a particular institution, due to any associated individual have been bribed or because the institution turns a blind eye to the criminal nature of such funds, the institution could be drawn into active complicity with criminals and become part of the criminal network itself. Evidence of such complicity will have a damaging effect on the attitudes of other financial intermediaries and of regulatory authorities, as well as ordinary customers.

Money laundering activities may affect changes in money demand, prudential risks to bank soundness, adverse effects on legal financial transactions and increased volatility of international capital flows and exchange rates due to unanticipated cross border asset transfers. Also, These activities rewards corruption and crime; successful money laundering damages the integrity of the entire society and undermines democracy and the rule of the law.

- **What is the connection with society at large?**

The possible social and political costs of money laundering if left unchecked or dealt ineffectively, are serious. Organized crime can infiltrate financial institutions, acquire control of large sectors of the economy through investment, or offer bribes to public officials and indeed governments. The economic and political influence of criminal organizations can weaken the social fabric, collective ethical standards, and ultimately the democratic institutions of society. In countries transitioning to democratic systems, this criminal influence can undermine the transition. Most fundamentally, money laundering is inextricably linked to the underlying criminal activity that generated it and such activities enables criminal activity to continue.

### **3. OBJECTIVES:**

The objective of the policy is:

- To have a proper Customer Due Diligence process before registering clients.
- To monitor and report suspicious transactions.
- To discourage and identify money laundering or terrorist financing activities.

- To take adequate and appropriate measures to follow the spirit of the PMLA.
- Staff Members' awareness and vigilance to guard against money laundering and terrorist financing is developed.

#### **4. FINANCIAL INTELLIGENCE UNIT INDIA (FIU-IND)**

Financial Intelligence Unit – India (FIU-IND) was set by the Government of India dated 18th November 2004 as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspicious financial transactions.

FIU-IND is also responsible for coordinating and strengthening efforts of national and international intelligence, investigation and enforcement agencies in pursuing the global efforts against money laundering and related crimes. FIU-IND is an independent body reporting directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

#### **5. ANTI MONEY LAUNDERING PROGRAM (AML)**

The objective of having an AML Program is to have in place adequate policy, practice and procedure that help to prevent money-laundering activities.

Such procedures would include the following:

- Appointment of Principal Officer.
- Client Due Diligence procedures.
- Transaction monitoring to identify & report Suspicious Transactions (STR)
- Record keeping & retention of records
- Co-operating with law enforcement agencies in their efforts to trace the money laundering transactions and persons involved in such activities
- On-going training to the employees to ensure strict adherence to Customer Due diligence requirements & Imparting investor education
- Reports to Financial Intelligence Unit-India (FIU-IND)

These procedures and standards would assist in knowing and understanding the investing activities of its existing and prospective clients and to prevent NJ Advisory Services Private Limited (hereinafter referred as 'Company') from being used as a medium, intentionally or unintentionally for carrying out money laundering activities. The chapters ahead detail the AML program adopted by the company.

## 6. WRITTEN ANTI MONEY LAUNDERING PROCEDURES

Company shall adopt written procedures to implement the anti- money laundering provisions as envisaged under the PMLA which shall include following three specific parameters which are related to the overall 'Client Due Diligence Process':

- Policy for acceptance of clients
- Procedure for identifying the clients
- Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR).

## 7. CLIENT DUE DILIGENCE (CDD)

**A) Company shall obtain sufficient information in order to identify persons who beneficially own or control the securities account:**

- a) 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.
- b) Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures.
- c) Identify 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.
- d) Company shall identify the beneficial owners using reliable, independent source documents, data or information at the time of opening of Account and take reasonable measures to verify the identity of the client other than an individual by the following two measures:

**i. For Non-Trust Entity - Due Diligence shall be done as below:**

Where the clients is a person other than an Individual or trust, viz.

Company, partnership or unincorporated association / body of individuals,  
Company shall take reasonable measures to verify the identity the  
beneficial owners through the following information:

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

Explanation: Controlling ownership interest means ownership of  
/entitlement to

- more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- more than 15% of the capital or profit of the juridical person, where the juridical person is a partnership;
- 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.
- In cases where there exists doubt 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, Due Diligence shall be done of a natural person who holds the position of senior managing official.
- The details of Beneficial Owners shall be identified and captured properly at the time of opening of Account.

ii. **For Trust Entity - Due Diligence shall be done as below:**

Company shall take reasonable measures to verify the identity of the client which is a trust as follows:

- 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.

- **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 is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.
- Company shall conduct ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the Company's and knowledge of the client and are in accordance with its business and risk profile, taking into account, where necessary, the client's source of funds.
- Company shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

**B) Policy for Acceptance of Clients:**

**a) Safeguards while accepting the clients:**

- Company shall ensure no account is opened in a fictitious / benami name or on an anonymous basis.
- Company shall ensure that account is not opened if appropriate CDD measures / KYC policies are not applied.
- In line with the risk-based approach, the type and amount of identification information and documents required will depend on the risk category of a particular client.
- Documentation requirements and other information shall be collected in respect of different client depending on perceived risk and having regard to the requirements as prescribed by SEBI, PML Act, Rules, Directives and circulars issued from time to time and other relevant legislations as may be applicable.
- In cases where it is not possible to ascertain the identity of the client, or the information provided is suspected to be non - genuine, or there



is perceived non - co-operation of the client in providing full and complete information. Company shall not continue to do business with such a person and report the same to the Principal Officer & Top Management and file a suspicious activity report if required.

- The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with the Company, 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.
- Company have put in necessary checks 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.

**C) Risk-based Approach in Client Acceptance:**

- a) Clients are categorized as High/Medium/Low risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, the Company shall apply on each of the client due diligence measures on a risk sensitive basis as per the '**Client Registration Process at NJ Advisory Services Private Limited**' annexed to this Policy. The basic principle enshrined in this approach is that the Company shall adopt an enhanced client due diligence process for higher risk categories of clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients depending upon the Risk categorization in the Client Registration Process at NJ Advisory Services Private Limited.
- b) Company 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 (these can be accessed at the URL-<https://www.un.org/securitycouncil/>and <http://www.un.org/sc/committees/1988/list.shtml>).

- c) **Risk Assessment:** The Company 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 geographically areas, payment methods used by clients, etc.

**D) Clients of special category (CSC):**

Such clients shall include the following:

- Non – resident clients,
- High net-worth clients, (Net worth more than 50 Crores or Income more than 10 Crores)
- Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations,
- Companies having close family shareholdings or beneficial ownership,
- **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.
- Companies offering foreign exchange offerings
- 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, Company 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. (<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions>)

- Non face to face clients
- Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and Company shall exercise independent judgment to ascertain whether any other set of clients shall be added to High Risk Category or classified as CSC or not.

**E) Client Identification Procedure (CIP):**

- Company shall all the time follow the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time.
- Company shall frame internal guidelines for dealing with their clients and legal requirements as per the established practices. Further, Company shall conduct ongoing due diligence where it notices inconsistencies in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued.
- Company shall obtain adequate information to satisfactorily establish the identity of each new client as per the KYC Guidelines. The information shall be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the Company in compliance with the directives.
- Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the Principal Officer of the Company.
- Company shall proactively put in place appropriate risk management systems to determine whether their client or potential client or the beneficial

owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPS. Further, the enhanced CDD measures shall also be applicable where the beneficial owner of a client is PEP.

- Company shall obtain 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, Company shall obtain senior management approval to continue the business relationship.
- Company shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
- Company shall formulate and implement a CIP which shall incorporate the requirements of the PML Rules (as amended from time to time), such as 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 and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients.
- Irrespective of the amount of investment made by clients, no minimum threshold or exemption shall be made available from obtaining the minimum information/documents from clients as stipulated in the PML Rules/ SEBI Circulars (as amended from time to time). Further no exemption from carrying out CDD shall exist in respect of any category of clients.
- Company's KYC and CIP policy shall be part of the "Client Registration Process at NJ Advisory Services Private Limited" attached as Annexure which shall be periodically reviewed and updated from time to time.\

## **8. RECORD KEEPING**

- Company shall ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made thereunder, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.
- 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.

- To enable the reconstruction 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. Company shall retain the following account information of their clients in order to maintain a satisfactory audit trail as prescribed by the authorities:
  - a) the beneficial owner of the account;
  - b) the volume of the funds flowing through the account; and
  - c) for selected transactions:
    - i. the origin of the funds
    - ii. the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
    - iii. the identity of the person undertaking the transaction;
    - iv. the destination of the funds;
    - v. 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 put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules.
- All relevant documents and their supporting are maintained as per prescribed guidelines. In cases where the records related to on-going investigations or transactions that have been a subject of a suspicious transaction reporting, shall be retained until it is confirmed that the case has been closed.

## 9. INFORMATION TO BE MAINTAINED

Company will 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.

## 10. RETENTION OF RECORDS

- As a Policy no cash transactions are entered into by the Company.
- Company shall take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of records and information as mentioned in Rule 3 of PML Rules in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities.
- Records evidencing the identity (e.g. copies or records of official identification documents like passports, identity cards, driving license, or similar documents) of its clients and beneficial owners, account files and business correspondence shall be maintained and preserved 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.
- All necessary records of transactions, 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 legislation's, 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, they shall be retained until it is confirmed that the case has been closed.
- Company shall maintain and preserve 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 the minimum period prescribed under the relevant Act and Rules from the date of the transaction between the client and Company.

## 11. MONITORING OF TRANSACTIONS

- Company shall implement proper checks and controls to identify that the funds received from the clients are from his registered bank account, high value transactions and any abnormal transactions based on the nature of the client or his financial status and take necessary actions to verify legitimacy of the sources of funds.
- The Client Registration Department ensures adherence to the KYC policies and procedures.
- Internal Auditors specifically check and verify the application of KYC procedures and comment on the lapses if any observed in this regard.
- Principal Officer examines transactions / clients and comment whether any suspicious transactions are done or not. While monitoring the transactions, Company shifts the clients from one category to another depending upon the risk perceived.
- 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/ FIUIND/ other relevant Authorities, during audit, inspection or as and when required.
- All regulatory alerts generated by Market Infrastructure Institutions (MIIs – Like Stock Exchanges, Depositories Etc) shall be monitored by the Principal Officer for necessary action to be taken under close consultation of the Principal Officer.
- **Monitoring Accounts for Suspicious Activity:**
  - The Company shall monitor the transactions to identify certain transactions, which are suspicious in terms of PMLA policy.
  - The customer exhibits unusual concern about the Company's compliance with government reporting requirements and the Company's AML Policies (particularly concerning his or her identity, type of business and assets), or is reluctant or refuses to reveal any information concerning business

activities or furnishes unusual or suspicious identification or business documents.

- Upon request, the customer refuses to identify or fails to indicate any legitimate sources for his or her funds and other assets.
- Suspicious transactions shall also be regularly reported to the higher authorities including the Directors wherever required at Company.

## **12. IDENTIFICATION OF SUSPICIOUS TRANSACTIONS**

- Company shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions.
- A list of circumstances which may be in the nature of suspicious transactions are given below:
  - ➔ Suspicious background or links with known criminals.
  - ➔ High value Deals in account beyond his financial capability.
  - ➔ Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime.
  - ➔ Appears to be made in circumstances of unusual or unjustified complexity or
  - ➔ Appears to have no economic rationale or bonafide purpose; or
  - ➔ Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.
- This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances.

## **13. REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA**

- a) In terms of the PML Rules, Company is required to report information relating to suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND,  
Financial Intelligence Unit-India,  
6th Floor, Hotel Samrat,



Chanakyapuri,  
New Delhi-110021.

Website: <http://fiuindia.gov.in>

- b) As FIU-IND has made filling of Suspicious Transactions Report mandatory in online mode through its portal w.e.f. 20th October, 2012, the Company has been registered as Reporting Entity.
- c) Company shall carefully go through all the reporting requirements and formats that are available on the website of FIU – IND and shall report the following:

**A) For Cash Transaction Reporting**

All dealing in Cash that require reporting to the FIU-IND will be done in the CTR format and in the manner and at intervals as prescribed by the FIU-IND. However, as mentioned earlier, the Company does not accept transactions in cash.

**B) For Suspicious Transaction Reporting**

- Suspicious transaction shall be immediately notified to the Principal Officer or any other designated officer within Company.
- The Company will make a note of Suspicious Transaction that have not been explained to the satisfaction of the Principal Officer and thereafter report the same to the FIU-IND as per the require deadlines. This will typically be in cases where the Company know, suspect, or have a reason to suspect.
- The transaction involves fund derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade any transaction reporting requirement.
- The transactions is designed, whether through structuring or otherwise, to evade any requirements of PMLA Act and Rules framed thereof.
- The transactions involve the use of the Company's platform to facilitate criminal activity.
- The Company will file a STR and notify law enforcement of all transactions that

rise an identifiable suspicion of criminal, terrorist, or corrupt activities within the prescribed time as per the PMLA Act and rules made there under.

- 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 / Other appropriate compliance officers, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.
- The Principal Officer analyses and examines such data and then decides if any transaction listed therein warrants a closer inspection or not. The team maintains the records of all such data received from authority and records the action taken against any client for suspicious transaction.
- After close monitoring and detailed inspection in case the Team finds the transaction that appear to be of suspicious in nature, the report of such transactions is submitted to the Management and then the same gets reported to FIU-IND in the prescribed format, within the prescribed time of establishment of suspicion.
- Company shall not put any restriction on operation in the accounts of any client where an STR has been made and the same has been reported to FIU-IND. Company shall also prohibited from disclosing any-information in regards to the client for whom the STRs have been reported to FIU-IND.
- 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. Company shall also report such attempted transactions in STRs if found to be suspicious, even if not completed by clients.
- The Company shall maintain and preserved STRs and their accompanying documents 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.
- The Company will refuse any requests for STR information and immediately tell FIU-IND of any such request it receives. The Company will segregate STR fillings and copies of supporting documentation from other Company books

and records to avoid disclosing STR fillings. The Principal Officer will handle all requests or other requests for STRs.

- Principal Officer will be responsible to ensure that AML records are maintained properly and that STRs are filled as required.

#### **14. LIST OF DESIGNATED INDIVIDUALS/ ENTITIES**

- An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>. Company shall ensure that accounts are not opened in the name of anyone whose name appears in said list. 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.

#### **15. PROCEDURE FOR FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES**

- Under the Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA), 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.
- Company shall ensure effective and expeditious implementation of the procedure laid down in the UAPA Order dated August 27, 2009 and UAPA

Order dated 14<sup>th</sup> March 2019 detailing the procedure for the implementation of Section 51A of the UAPA.

**16. DESIGNATION OF OFFICERS FOR ENSURING COMPLIANCE WITH PROVISIONS OF PMLA:**

**a) Appointment of Principal Officer**

- To ensure that Company properly discharge its legal obligations to report suspicious transactions to the authorities. The Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Managing Director. The duties of the principal officer will include monitoring the Company's compliance with AML obligations and overseeing communication and training of employees. The Principal Officer will also ensure that proper AML records are kept. When warranted, the Principal Officer will ensure filling of necessary reports with the Financial Intelligence Unit (FIU-IND).
- Company has appointed Ms. Varsha Saraf as the Principal Officer for its Anti-Money Laundering Program, with full responsibility for Company's AML Program under the provisions of PMLA and has intimated his name and contact details to FIU-IND.
- Names, designation and addresses (including email addresses) in case of change in 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU. As a matter of principle, 'Principal Officer' of Company will be of a sufficiently senior position and is able to discharge the functions with independence and authority.

**b) Appointment of Designated Director :**

- In addition to the existing requirement of designation of a Principal Officer, Company shall also designate a person as a 'Designated Director' in terms of Rule 2 (ba) of the PML Rules whose details are mentioned as under:

Sr. No	Designated Director	Designation	Address	Email Id	Contact No.
1.	Niraj R Choksi	Jt Managing Director	Bungalow-8, Nilam Society, Opp. Shardayatan school, Umra.Piplod, Surat-395007 Gujarat	neeraj@njgr oup.in	9374543685

- The details of appointment of Designated Director have been intimated to the FIU-IND by Company.
- In case of any changes, Company shall communicate the details of the Designated Director, such as, name designation and address to the Office of the Director, FIU – IND.
- In terms of Section 13 (2) of the PMLA, the Director, FIU – IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of the Company to comply with any of its AML/CFT obligations.

#### 17. BOARD OF DIRECTORS APPROVAL

This policy and procedure shall be considered and reviewed by the board as and when updation made, if any or as deemed fit from time to time.

The Board has approved this AML program as resonably designed to achieve and monitor the Company's ongoing compliance with the requirements of the PMLA and implementing regulations under it.

#### 18. EMPLOYEES' HIRING/EMPLOYEE'S TRAINING/ INVESTOR EDUCATION

- **Hiring of Employees**

Company ensures adequate screening procedures at the time of hiring of its employee. The Company identifies the key positions within their own organisation

structures having regard to the risk of money laundering and terrorist financing and the size of their business and also ensures that the employees dealing with PMLA requirements are suitable and competent to perform their duties.

- **Employees' Training**

Company shall have an ongoing employee training programme so that the employees are adequately trained regarding the AML and CFT procedures. The Company will review the operations to see if certain employees, such as those in compliance and other relevant functions, require specialised additional training. Company also imparts periodical refresher training to the staff to keep them updated on new developments and to communicate any changes in the policies, procedures etc.

- **Investors Education**

Implementation of AML/CFT measures requires Company to demand certain information from investors which may be of personal nature. 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 client with regard to the motive and purpose of collecting such information. The Company has the policy of sensitizing the clients about these requirements as the ones emanating from AML and CFT framework. The Company must aware the clients about the AML program of the Company. For the Purpose of awareness of such sensitive issues, Company has uploaded synopsis of PMLA policy on its website for creating awareness amongst the investors. Further after account activation company shall send booklet to client where overview of Anti Money Laundering is given.

#### **19. Program to test AML Program**

The testing of the Company's AML Program will be performed by the Compliance Function of the Company. Responsibility of Auditing of the AML Program shall remain with Compliance Function

20. **Monitoring Employee Conduct and Accounts**

The Company will subject employee accounts to the same AML procedures as customer accounts, under the supervision of Principal Officer.

21. **Confidential Reporting of AML Non-compliance**

Employee(s) will report any violations of the Company's AML compliance program to the Principal Officer.

The Company has framed the policy based on the overall directives of PMLA Act, 2002 including amendments thereof and other applicable laws beyond its applicability for the kind of activities being performed by the Company in the current framework. In future, the Company shall endeavor to ensure that implementation of all the applicable provisions are complied within reasonable time frame.

For & on behalf of

NJ Advisory Services Private Limited



Niraj R. Choksi

Managing Director

DIN: 00335569

Place: Surat

Date: 1st February 2020

x ----- x ----- x ----- x ----- x

## Annexure

### Client Registration Process at NJ Advisory Services Private Limited

#### **Client Identification Procedure / Client Due Diligence Measures / Risk Assessment and Client Categorisation.**

- When individual client account opening form is received or at the time of commencement of account based relationship, the Company shall verify and maintain the records of identity and current address or addresses including permanent address or addresses of the clients, the nature of business of the client and his financial status and all documents and requirements under KRA KYC & CKYC shall be completed as prescribed in our PMS application form and as prescribed under PMLA Act, rules, circular and by SEBI from time to time.
- When non- individual client account opening form is received, all documents and requirement under the KRA KYC shall be completed as prescribed in our PMS application form and as prescribed by PMLA Act, rules, circular and by SEBI from time to time. However, once CKYCR starts accepting non-individual client's registration, CKYC process shall also be completed as per the prescribed guidelines.
- Permanent Account number (PAN) allotted by the Indian Income Tax Department will be utilized as the main identifier & and the same independently verified from following sources:
  - Income Tax Database / Databases of other entities authorised by the Income Tax department.
  - PAN number search in internal software
  - SEBI debarred list
- The search shall ensure that 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.



➤ **Screening Process:**

Before opening of the client account it shall also be verified that the client is not a part of the Debarred list. This will help in not opening of erroneously account of the debarred client or entity. Below is the list of authorities & acts whose database is to be used for verification:

- (i) UNSC 1267
- (ii) UNSC 1988
- (iii) SEBI Debarred list
- (iv) UNSC
- (v) Domestic PEP
- (vi) Arbitration Award
- (vii) ANMI ABCD
- (viii) OFAC
- (ix) UAPA Database

If the client is found matching with UNSC 1267 or UNSC 1988, the Company shall not open the account and immediately inform the Principal Officer/Management for further action which will result in STR filing.

The screening will be done for Ultimate Beneficial Owner and associated entities also like Directors in Private Limited Company or trustees in a trust.

- If any alerts are generated during the search, then matter shall be escalated to Principal Officer to take decision whether client can processed further or not for opening of Account.
- Apart from the above, Financial details shall also be taken for all clients while opening an account.
- If a potential customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, the Company

will not open the new account.

➤ **Risk categorization**

- All clients, at the time of account opening shall be classified in low, medium and high risk categories based on the following parameters:

Sr. No	Type	Category
1	NRI & HNI Clients	High Risk Client
2	High Net-worth clients (Networth more than 50 crores or Income more than 10 crores)	
3	Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations.	
4	Companies having close family shareholdings or beneficial ownership.	
5	Politically Exposed Persons (PEP)	
6	Companies offering foreign exchange earnings.	
7	Client in High Risk Countries	
8	Clients with dubious reputation as per public information available etc.	
9	Non face to face clients	
10	Client Occupation -Agriculture/Others	
11	Except Above	Medium Risk Client
		Low Risk Client

**NOTE: :**

1. When there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk then the account will be categorized as "High Risk".

**Client KYC periodic review at NJ Advisory Services Private Limited**

- The KYC shall be reviewed and updated every year for Client falling under High Risk Category.
- The KYC shall be reviewed and updated once in every three years for Client falling under the Medium Risk Category.

- The KYC shall be reviewed and updated once in every five years for Client falling under the Low Risk Category.

➤ **Summarizing the steps of CIP & KYC process before opening of the accounts are as below:**

1. Collecting relevant KYC and mandatory information & documents from customers
2. Verifying client KYC status on KRA System.
3. Updating records on KRA system if not updated.
4. Checking of client with screening database consisting of four sources i.e. SEBI, UNSC, PEP (PEP Detailed handling explained) and OFAC.
5. Verification of PAN with Income Tax Database.
6. Risk categorisation and CSC marking.
7. Also verify email addresses and mobile numbers of clients to ensure that two accounts of different families are not having the same email address and mobile number.
8. Client registration and issuance of photocopies of KYC documents and welcome kit.

- The Company will maintain and preserved the records of all identification information for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed there under as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.

x ----- x ----- x ----- x ----- x