

Policy Frame Work

**covering KYC Standards
and AML Measures.**



1. PREAMBLE

In terms of the guidelines issued by the Securities Exchange Board of India (SEBI) for both trading and demat accounts on Know Your Customer(KYC) standards and Anti Money Laundering(AML) measures, intermediaries (both brokers and depository participants) are required to put in place a comprehensive policy frame work covering KYC Standards and AML Measures.

This policy document is prepared in line with the SEBI guidelines and incorporate ISE Securities and Services Limited approach to customer identification procedures, customer profiling based on the risk perception and monitoring of transactions on an ongoing basis. The objective of this policy document is to prevent incorporate ISE Securities and Services Limited from being used, intentionally or unintentionally, by criminal elements for money laundering activities and for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to the law enforcement authorities

2. DEFINITION OF MONEY LAUNDERING

Section 3 of the Prevention of Money Laundering [PML] Act 2002 has defined the “offence of money laundering” as under:

“Whoever directly or indirectly attempts to indulge or knowingly assists or knowingly is 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”.

Money launders may use the broking system for cleansing 'money' earned through criminal activities with the objective of hiding/disguising its source. The process of money laundering involves creating a web of financial / trading transactions so as to hide the origin and true nature of these funds. Money launders also disguise the true source of funds by investing the funds earned out of terrorist / criminal activities through third party accounts.

3. OBLIGATIONS UNDER PREVENTION OF MONEY LAUNDERING [PML] ACT 2002

Section 12 of PML Act 2002 places certain obligations on every banking company, financial institution and intermediary which include (i) maintaining a record of prescribed transactions(ii) Furnishing information of prescribed transactions to the specified authority(iii) Verifying and maintaining records of the identity of its clients(iv) Preserving records in respect of (i), (ii), (iii) above for a period of 10 years from the date of cessation of transactions with the clients. These requirements would come into effect after Govt. of India frames rules under the Act.

4. MONEY LAUNDERING RISK PERCEPTION

5. POLICY OBJECTIVES

To prevent criminal elements from using the ISE Securities and Services Limited trading / demat system for money laundering activities.

To enable ISE Securities and Services Limited to know / understand its customers and their financial dealings better, which in turn would help Apollo Sindhoori to manage risks prudently.

To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.

To comply with applicable laws and regulatory guidelines related to anti money laundering.

To take necessary steps to ensure that the concerned staff are adequately trained in KYC/AML procedures.

6. SCOPE

This policy is applicable to all branches/offices of ISE Securities and Services Limited and is to be read in conjunction with related operational guidelines issued from time to time.

7. KEY ELEMENTS OF THE POLICY

1. Policy for acceptance of clients

ISE Securities and Services Limited has developed customer acceptance policies and procedures that aim to identify the types of customers that are likely to pose a higher than the average risk of money laundering or terrorist financing. By establishing such policies and procedures, we will be in a better position to apply customer due diligence on a risk sensitive basis depending on the type of customer business relationship or transaction.

Factors / Parameters of risk perception (in terms of monitoring suspicious transactions)
Clients' location (registered office address, correspondence addresses and other addresses if applicable),

Nature of business activity,

Trading turnover etc .

Manner of making payment for transactions undertaken.

Further SEBI guidelines on AML Policy has classified the following clients of special category for whom risk categories have to be assigned and who shall have to be monitored on an ongoing basis:

Non resident clients

High networth clients,

Trust, Charities, NGOs and organizations receiving donations

Politically exposed persons (PEP) of foreign origin

Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence) 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.

Non face to face clients

Clients with dubious reputation as per public information available etc

The above factors / parameters would enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of KYC profile.

2. Procedure for identifying clients:

Verify the customer's identity using reliable, independent source documents, data or information i.e.

complete harmonization with FIU and SEBI guidelines on KYC

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 registered intermediary's knowledge of the customer, its business and risk profile, taking into account, where necessary, the customer's source of funds.

Necessary checks and balance to be 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.

Ensure that an account is not opened where the intermediary is unable to apply appropriate clients due diligence measures / KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, information provided to the intermediary is suspected to be non genuine, perceived non cooperation of the client in providing full and complete information.

3. *Transaction monitoring:*

Regular monitoring of transactions is vital for ensuring effectiveness of the Anti Money Laundering procedures. The following activities / transactions to be monitored on an ongoing basis to enable ISE Securities and Services Limited to submit periodical CTRs / STRs

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Special attention should be paid to all complex, unusually large transactions / patterns which appear to have no economic purpose. Internal threshold limits to be specified for each class of client accounts and pay special attention to the transaction which exceeds these limits.

Randomly examine a selection of transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not.

Clients whose identity verification seems difficult or clients appears not to cooperate
Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;

Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;

Substantial increases in business without apparent cause;

Transfer of investment proceeds to apparently unrelated third parties;

Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks /financial services, businesses reported to be in the nature of export-import of small items.

Comparison of declared income with trading volumes

Verification of amounts paid through third party cheques

Verification of amounts paid through demand drafts

Off market transfers in dormant accounts

Huge transactions in short period and then account becoming dormant or closed

Transactions in illiquid scrips

Matching of orders in illiquid scrips

Multiple client code transactions

4. Reporting

Any suspicious transaction will be immediately notified by the Principal Officer or any other designated officer. The notification will be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it be ensured that there is continuity in dealing with the client as normal until told otherwise and the client is 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.

5. Maintenance of records:

The intermediary should ensure a record of transaction is preserved and maintained in terms of section 12 of the PMLA 2002 and that transaction of suspicious nature or any other transaction notified under section 12 of the act is reported to the appropriate law authority. Suspicious transactions should also be regularly reported to the higher authorities / head of the department.

8. KYC FOR THE EXISTING ACCOUNTS

While the KYC guidelines will apply to all new clients, the same should be applied to the existing customers on the basis of materiality and risk. KYC details should be obtained from all existing clients within the time frame specified by SEBI and other regulatory authorities. However, transactions in existing accounts would be continuously monitored for any unusual pattern in the operation of the accounts.

9. PRINCIPAL OFFICER

Principal Officer appointed under AML guidelines, shall with the help of AML team shall monitor all the transactions listed above and shall submit periodical CTRs and STRs.

10. AML TEAM

An AML team shall be formed which will monitor the transactions listed above on an ongoing basis, analyze transactions, identify transactions that are suspicious in nature and report the same to the concerned authority through the Principal Officer.

11. REVIEW OF THE POLICY

The policy will reviewed be at regular intervals or as and when considered necessary by the Board.