



**J. J. BHABHERA SHARE BROKERS PVT. LTD.**  
**Winning Wealth Valuing Trust**

## **Prevention Anti Money Laundering Policy**

### **1. Background**

1.1. Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, SEBI had issued the Guidelines on Anti Money Laundering Standards vide their notification No.ISD/CIR/RR/AML/1/06 dated 18th January 2006, vide letter No.ISD/CIR/RR/AML/2/06 dated 20th March 2006 and vide Circular number CIR/MIRSD/1/2014 dated March 12th, 2014 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI.

### **2. What is Money Laundering?**

2.1 Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/origins.

2.2 This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

### **3. Prevention of Money Laundering Act, 2002**

3.1. Prevention of Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July 1, 2005.

3.2. The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including stock brokers and sub-brokers) to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU) - INDIA

### **4. Financial Intelligence Unit (FIU) – INDIA**

4.1. The Government of India set up Financial Intelligence Unit-India (FIU-IND) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.



4.2. FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

## **5. Policy of J J Bhabhera Share Brokers Pvt Ltd**

5.1. J J Bhabhera Share Brokers Pvt Ltd (JJBSBPL) has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame-work to report cash and suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002. This policy is applicable to JJBSBPL Employees and Authorised Persons (AP).

**6. Objective of these Guidelines:** The purpose of this document is to guide all the employees of JJBSBPL and employees of its associates on the steps that they are required to take and implement to prevent and identify any money laundering or terrorist financing activities. It shall be the responsibility of each of the concerned employees that they should be able to satisfy themselves that the measures taken by them are adequate, appropriate and follow the spirit of these measures and the requirements as enshrined in the "Prevention of Money Laundering Act, 2002".

## **7. Implementation of this Policy**

7.1. Mr. Nirav J Bhabhera will be the Principal Officer who will be responsible for

- Compliance of the provisions of the PMLA and AML Guidelines
- Act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions
- Ensure that JJBSBPL discharges its legal obligation to report suspicious transactions to the concerned authorities.

7.2. The main aspect of this policy is the Customer Due Diligence Process which means:

- Obtaining sufficient information about to the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted.
- Verify the customer's identity using reliable, independent source document, data or information.
- Conduct on-going due diligence and scrutiny of the account/client to ensure that the transaction conducted are consistent with the client's background/financial status, its activities and risk profile.

7.3. The Customer Due Diligence Process includes three specific parameters :

- Policy for Acceptance of Clients

- > Client Identification Procedure
- > Suspicious Transactions identification & reporting

## 8. Customer Acceptance Policy

### 8.1.

➤ **Each client should be met in person:** Accept client whom we are able to meet personally. Either the client should visit the office/branch or concerned official may visit the client at his residence / office address to get the necessary documents filled in and signed. Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client.

- ➤ **Accepts clients on whom we are able to apply appropriate KYC procedures:** Obtain completes information from the client. It should be ensured that the initial forms taken by the clients are filled in completely. All photocopies submitted by the client are checked against original documents without any exception.
- **Do not accept clients with identity matching persons known to have criminal background**
- **Be careful while accepting Clients of Special category**
- **Guidelines on Identification of Beneficial Ownership**
- **Do not accept client registration forms which are suspected to be fictitious.**
- **Do not compromise on submission of mandatory information/ documents.**

### 8.2. Customer Identification Procedure (FOR NEW CLIENTS)

**Objective:** To have a mechanism in place to establish identity of the client along with firm proof of address to prevent opening of any account which is fictitious / benami / anonymous in nature.

#### 8.2.1. Documents which can be relied upon:

➤ **PAN Card:** PAN card is mandatory and is most reliable document as only one card is issued to an individual and we can independently check its genuineness through IT website.

➤ **IDENTITY Proof:** PAN Card itself can serve as proof of identity. However, in case PAN card carries an old photograph of the holder, which does not match current facial features of the client, we should take other identity proof in form of Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card.

➤ **ADDRESS Proof:** For valid address proof we can rely on Voter's Identity Card, Passport, Bank Statement, Aadhaar Letter, Ration card and latest Electricity/telephone bill in the name of the client.

#### 8.2.2. Documents to be obtained as part of customer identification procedure for new clients:

a. *In case of individuals, one copy of the following documents have to be obtained :*

> As PAN is mandatory, verify its genuineness with IT website and cross verify the PAN card copy with the original. Please put "verified with original" stamp as proof of verification.

> Other proofs for identity are Voter's Identity card, Passport, Ration Card or

any Government/PSU/Bank issued photo identity card or any other document prescribed by the regulatory authorities.

> Address proof in the form of Voter's Identity Card, Passport, Bank Statement, Ration card and latest Electricity/telephone bill in the name of the client or any other document prescribed by the regulatory authorities.

*b. In case of corporate, one certified copy of the following documents must be obtained:*

- > Copy of the Registration/Incorporation Certificate
- > Copy of the Memorandum & Articles of the Association
- > Copy of the PAN card and the Director Index No. (DIN)
- > Copy of the latest audited Annual Statements of the corporate client
- > Latest Net worth Certificate
- > Latest Income Tax return filed.
- > Board Resolution for appointment of the Authorized Person who will operate the account.
- > Proof of address and identity of Authorized Person

*c. In case of partnership firm one certified copy of the following must be obtained:*

- > Registration certificate
- > Partnership Deed
- > PAN card of partners
- > Authorization letter for the person authorized to open and operate the account
- > Proof of identity and address of the authorized person.
- > Annual statement/returns of the partnership firm

*d. In case of a Trust, one certified copy of the following must be obtained:*

- > Registration certificate
- > Trust Deed
- > PAN card
- > Authorization letter for the entity authorized to act on their behalf
- > Officially valid documents like PAN card, voters ID, passport, etc of person(s) authorized to transact on behalf of the Trust.

*e. In case of unincorporated association or a body of individuals, one certified copy of the following must be obtained:*

- > Resolution of the managing body of such association or body of individuals
- > PoA in favour of person authorized to transact
- > Officially valid documents like PAN card, voters ID, passport, etc of the person(s) authorized to transact
- > Any document required by Karvy to establish the legal existence of such an association or body of individuals.

*f. In case of an NRI account - Repatriable/non-repatriable, the following documents are required:*

- > Copy of the PIS permission issued by the bank

- Copy of the passport
- Copy of PAN card
- Proof of overseas address and Indian address
- Copy of the bank statement
- Copy of the demat statement
- If the account is handled through a mandate holder, copy of the valid PoA/mandate

## **9. Risk Profiling of the Client**

9.1. We should accept the clients based on the risk they are likely to pose. The aim is to identify clients who are likely to pose a higher than average risk of money laundering or terrorist financing. For this purpose, we need to classify the clients as Low risk, medium risk and high risk clients. By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high risk client we have to apply higher degree of due diligence. The factors of risk perception depend on client's location, nature of business activity, turnover, nature of transaction, manner of payment etc.

9.2. In order to achieve this objective, all clients of the branch should be classified in the following category :

- Category A – Low Risk
- Category B – Medium Risk
- Category C – High risk

9.2.1. Category A clients are those pose low or nil risk. They are good corporate/HNIs who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares.

9.2.2. Category B clients are those who are intra-day clients or speculative clients. These are the clients who maintain running account with JJBSBPL.

9.2.3. Category C clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc.

9.3. We have to be careful while monitoring the transactions of B and C category clients.

9.4. Apart from this we need to exercise extra caution while monitoring the transactions of NRI/NRE/PIO and foreign clients, especially when the payment is being made in foreign currency.

9.5. Any change in the risk profile of the client/mandate holder, has to be ascertained by the concerned branch officials, and reported to the Business Head immediately.

## **10. Roles**

10.1. Relationship Manager/ Dealer/ Branch Manager/ Branch Coordinator/  
Business Head

> The RM/ Dealer/ BM/ Coordinator should meet the client in person at least once before opening the account at the address given by the client. In the process he may reasonably verify the living standards, source of income, financial status, etc. of the client and ensure that the details mentioned in the CRF (Client Registration Form) matches with the actual status.

> If the client is a 'walk-in client', then the concerned branch official should make independent verification about the background, identity and financial worthiness of the client.

> All mandatory proofs of identity, address and financial status of the client must be collected as prescribed by the regulatory authorities, from time to time. The proofs so collected should be verified with the originals. If the prospective client is refusing to provide any information do not forward his/ her account opening form to HO.

> The Business Head has to be completely satisfied about the background, genuineness and financial status of the client before recommending for opening the account. If required, the Business Head may seek additional information/documents from the client.

> If the account is to be handled by a PoA /mandate holder, then find out what is the relationship between the client and the PoA/Mandate holder, establish the identity and background of the client and the PoA/Mandate holder (by obtaining the required documents) and ensure that the PoA/Mandate Holder has the proper authorization.

> In case of a corporate account, the branch officials should ensure that the authorized person has got the required mandate by way of Board Resolution. Also, the identity and background of the authorized person has to be established by obtaining the required documents.

## 10.2. Risk Management Team

Risk Management Team (RMT) gives exposure to clients based on margin available in the system and clean exposure to selected clients based on recommendations of the Business Managers. It is also the duty of RMT to validate such exposures with the financial details provided by the client in KYC forms. **Where there is a trading activity of the client, which is not commensurate with the financial details declared by the client, it should be analyzed and referred to the Principal Officer with reasons of suspicion.**

### Monitoring Of Transactions

> Scrutinize unusually large transactions like, clients having traded in scrip/shares of a company for a quantity of 20,000 or more in a single day and volume in that scrip of that client is 25% or more of the total volume in that scrip of the Exchange.

> Check trade log for indication of negotiated trades (if any)

> Check for any relation of the client with the company / directors / promoters.

> Check previous trading pattern of the clients in that particular scrip.

➤ Scrutinize bulk deal transactions by sample check. A 'bulk' deal constitutes transaction in a scrip (on each Exchange) where total quantity of shares bought/sold is more than 0.5% of the number of equity shares of the company listed on the Exchange

➤ Select randomly few clients and pick their few transactions and scrutinize to check whether they are of suspicious nature or not.

➤ If substantial increase in turnover in a dormant account is found, should be brought into the notice of the senior management. Review balances and trading in the dormant accounts. Be vigilant on the movement of credit balances of the dormant account.

➤ Analysis is carried out by RMT to identify clients with huge and regular losses and are still placing trades/orders. Identify the Sources of funds in such cases.

➤ Analysis be also carried out in respect of disproportionate profit/ loss booked by a client trading in "F&O" segment vis-à-vis the value of the contract in illiquid scrips/ derivatives

➤ Suspicious transactions to include 'transactions integrally connected' as well as 'transactions remotely connected or related'

➤ Analysis of client payments in DD, Pay order, cash etc.

Undertake a periodic analysis of all the payments received from client by way of DD/Pay order. This will help in ascertaining whether any client's DD/ Pay Orders have been purchased against "Cash" or might whether any client is making third party payments. The third party payments can relate to employees also.

➤ Employees

Need to analyze the trades undertaken in the employees own trading account. It is possible that the employees might be accepting cash from the clients and execute the trades in their account. Similarly, it is possible that the profit on trades of the clients being shifted to the employees/sub broker's accounts.

➤ Frequent change in client details like bank account, demat account, address, etc

## **11. Cash Transactions**

All are requested not to accept cash from the clients whether against obligations or as margin for purchase of securities or otherwise. All payments shall be received from the clients strictly by account payee crossed cheques drawn in favour of J J Bhabhera Share Brokers Pvt Ltd. The same is also required as per SEBI circular no. SMD/ED/IR/3/23321 dated November 18, 1993 and SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003.

**In case account payee cheques have been received from a bank account other than that captured in records the same can be accepted after ascertaining that the client is the first holder of the account. Relevant copies of the supporting documents should be sent to HO and details of such accounts should be captured in records.**

## 12. Suspicious Transactions

All are requested to analyze and furnish details of suspicious transactions, whether or not made in cash. It should be ensured that there is no undue delay in analysis and arriving at a conclusion.

12.1. What is a Suspicious Transaction: Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith -

- > Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- > Appears to be made in circumstance of unusual or unjustified complexity; or
- > Appears to have no economic rationale or bona fide purpose

*Reasons for Suspicious:*

- > Identity of client

False identification documents / Identification documents which could not be verified within reasonable time / Non-face to face client / Clients in high-risk jurisdiction / Doubt over the real beneficiary of the account / Accounts opened with names very close to other established business entities / Receipt back of well -come kit undelivered at the address given by the client

- > Suspicious Background :Suspicious background or links with criminals
- > Multiple Accounts :Large number of accounts having a common parameters such as common partners / directors / promoters / address/ email address / telephone numbers introducer or authorized-signatory

### 12.2. What to Report

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

### 12.3. When to Report

In terms of the PMLA rules, brokers and sub-brokers are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) 6th Floor, Hotel Samarat, Chanakyapuri, New Delhi -110021 as per the schedule given below :

Report	Description	Due Date
CTR	All cash transactions of the value of more than Rs.10	15th day of the succeeding month



	Lakhs or its equivalent in foreign currency	
	All series of cash transactions integrally connected to each other which have been valued below Rs.10 Lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month	15th day of the succeeding month
CCR	All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions*	Not later than seven working days from the date of occurrence of such transaction*
STR	All suspicious transactions whether or not made in cash	Not later than seven working days on being satisfied that the transaction is suspicious*
NTR	Non Profit Organization Transaction Report	Not later than seven working days on being satisfied that the transaction is suspicious*

\* Master Circular DBOD.AML.BC.No.2/ 14.01.001 / 2010 - 11 dated July 01, 2010

\* Notification No. 14/2010

#### 12.4. Other Important Points

> Reasons for treating any transaction or a series of transactions as suspicious should be recorded. It should be ensured that there is no undue delay in arriving at such a conclusion.

> Utmost confidentiality should be maintained in submitting the information.

> The reports may be transmitted by email/speed/registered post/fax at the Head Office addressed to the Principal Officer.

> No restriction may be put on operations in the accounts where a Suspicious Transaction Report has been made.

> It should be ensured that there is no tipping off to the client at any level.

### 13. Formulate/Review/Training On The Internal Policy And Procedure To All Staff/Sub-Brokers

> Staff training and implementing specific procedures for customer identification and retaining internal records of transactions.

> The Internal Policy should be placed before the Head and if any changes in the policy are warranted, the revised policy should be placed before the Head for review and approval

**14. Record keeping requirements:**

"Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of five years after the business relationship between a client and JJBSBPL has ended or the account has been closed, whichever is later."

**15. Appointment of Designated Director**

We have appointed Mr. Kalpesh J Bhabhera as a designated director of the company, he is working as a whole time director of the company. In term of Rule 2(ba) of the PMLA Rules ( as amended by the Prevention of Money-laundering ( Amedement Act, 2012)

For **J J Bhabhera Share Brokers Pvt Ltd**



**Designated Director**