



iFAST Financial India Pvt. Ltd.

Proprietary & Confidential



**iFAST Financial India Private Ltd.  
Anti Money Laundering Policy**

This Policy document is asset of iFAST Financial India Private Ltd. (herein after referred as "Member") and it is applicable to all the Employees and Directors

For & exclusive use of

**iFAST Financial India Private Ltd.**

Owner	Prepared By -	Approved By -	Version No.	Issue Date	Review Date
Compliance & Audit Department	Compliance Officer	Board of Directors	Version 4	12-May-2016	15-Nov-2018 (approved in Board Meeting held on 7 <sup>th</sup> Dec 2018)



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### **Preface**

This Anti-Money Laundering (AML) Policy (the Policy) has been prepared in accordance with Prevention of Money Laundering Act, 2002 (PMLA Act). As per PMLA, 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 comply with the statutory duties which has been prescribed in the Rules notified under the PMLA.

### **Mission**

The purpose of this policy is to establish the general framework to combat money laundering, terrorism, financial crimes and corruption.

The Company is committed to examining its Anti - Money Laundering strategies, goals and objectives on an ongoing basis and maintaining an effective Anti - Money Laundering program for its business that reflects the best practices for a financial services company.

It is a policy of the company to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets.

This Policy only supplements the existing SEBI / FIU guidelines relating to KYC/AML and any subsequent guidelines from the date of the Policy on KYC/AML will be implemented immediately, with subsequent ratification by the Board. Extant regulations will at any point in time override this Policy.

**Responsibility of the Senior Management:** It shall be the responsibility of the senior management of the company to establish necessary policies and procedures for prevention of money laundering and terrorist financing, ensure that the same is understood by all staff members and review this policy at regular intervals.



## AML Standards

### 1. Client Due Diligence Policy

Our overall 'Client Due Diligence Process' shall be envisaged in following processes:

- a. Procedure for identifying the clients,
- b. Policy for acceptance of clients
- c. Periodic Client Due Diligence
- d. Transaction monitoring and
- e. Reporting to FIU IND
- f. Principal Officer Designation and Duties
- g. Other processes

#### a. Clients identification process:

- (i) Client identity generally means a set of attributes which together uniquely identify a natural or legal person. An individual's identity comprises his/her name, recent photograph, signature, date of birth, and the residential address at which he/she can be located. In case of non-individuals, identification is established with the help of registration number, copies of incorporation documents, location, address of head office / registered office and identity of authorized signatories.
- (ii) Identification evidence should be verified for:
  - The named account holder(s)/the person in whose name an investment is registered;
  - Any principal beneficial owner of funds being invested who is not the account holder or named investor;
  - Power of Attorney Holders
  - All PAN Cards received will be verified from the Income Tax/ NSDL website before the account is opened.
  - The failure or refusal by an applicant/customer failing to provide satisfactory identification evidence within 30 days of seeking information and/or without adequate explanation may lead to a suspicion that the investor is engaged in money laundering. In such circumstances, Principal Officer may consider making a suspicious activity report.
- (iii) iFAST shall proactively put in place appropriate risk management systems to determine whether its existing client or potential client or the beneficial owner of such client is a politically exposed person ("PEP") or belongs to any other 'Special Category' as listed in Annexure 1. Senior management approval would be obtained for establishing business relationships with PEPs or where the client or beneficial owner is subsequently found to be, or becomes a PEP in future, ) iFAST shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
- (iv) Know Your Customer - iFAST shall adopt appropriate KYC procedures as prescribed by SEBI from time to time based on the experience in dealing with the clients and legal requirements to:
  - Determine and document the true identity of the customers who establish relationships, open accounts or conduct significant business transactions;
  - Assess the money laundering risk posed by customers' expected use of our products and services;
  - Protect ourself from the risks of doing business with any individual or entity whose identity cannot be determined or who refuses to provide information, or who have provided information that contains significant inconsistencies which cannot be resolved after due investigation.
- (v) Irrespective of the amount of investment made by clients, no minimum threshold or exemption is available for 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.

(v)

- (vi) Obtain ultimate beneficial ownership declaration from all clients at the time of on boarding.

#### **b. Customer Acceptance Policy**

- (i) Account shall be opened after conducting pre-account opening KYC procedures in order to ensure that no account is opened in anonymous or fictitious / benami name(s). PAN shall be mandatory for each account.
- (ii) Client accounts shall be accepted after establishing the identity of the client by conducting due diligence appropriate to the risk profile of the client. The parameters of risk perception in terms of the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status etc. shall be captured at the account opening stage to enable categorization of customers into low, medium and high risk. Risk categories of clients shall be defined by adopting risk based approach. Indicative categories of clients which would fall into low, medium and high risk categories have been defined in **Annexure 1**. The list shall be updated with approvals from Compliance.
- (iii) Clients classified as high risk shall require higher degree of due diligence and regular update of Know Your Client (KYC) profile.  
Account shall not be opened if we are unable to apply appropriate CDD measures / KYC policies, 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.
- (iv) All new accounts shall be reviewed against negative list issued by SEBI/FMC, exchange and other lists such as OFAC, UN sanctions list etc.
- (v) The company shall not rely on third party for Client Due Diligence and Know Your Customer procedures.

#### **c. Periodic Client Due Diligence**

- (i) We shall conduct periodic due diligence and scrutiny of client's transaction and accounts to ensure that transactions are being conducted in knowledge, to find out the risk profile, source of funds, etc. At regular interval, ongoing due diligence and scrutiny needs to be conducted 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 member's knowledge of the client, its business and risk profile.
- (ii) Also verify the sources of funds for funding the transaction. We shall also take care at the time of settlement regarding nature of transaction, movement/source of transaction, etc. Periodically to ask for clients financial details to determine the genuineness of transaction. Special care would be taken in case of non individual accounts such as corporate, partnership firms etc, where the ownership structure is opaque. In all such cases the accounts would be activated only post approval from the compliance department.
- (iii) New and existing client accounts shall be verified against negative list issued by SEBI as per defined process (**refer Annexure 2**).

#### **d. Monitoring of transactions**

- (i) While determining suspicious transactions, member shall be guided by definition of suspicious transaction contained in the Rules as amended from time to time.
- (ii) An indicative list of suspicious activities contained is provided along with this policy in (**Annexure 3**).
- (iii) While ensuring that there is no tipping off to the customer at any level, member may put restrictions on operations in the accounts where an STR has been made.



#### e. Reporting to FIU IND

- (i) For Cash Transaction Reporting: All dealing in Cash requiring 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
- (iv) For Suspicious Transactions Reporting: The Suspicious Transaction Report (STR) shall be furnished 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.

#### f. Principal Officer Designation and Duties

We have designated Ms. Shridevi Vungarala- Compliance Manager as the Principal Officer for its Anti-Money Laundering Program, with full responsibility for the firm's AML program. The duties of the Principal Officer will include monitoring the firm's compliance with AML obligations and overseeing communication and training for employees. The Principal Officer will also ensure that proper AML records are kept. When warranted, the Principal Officer will ensure filing of necessary reports with the Financial Intelligence Unit (FIU – IND).

FIU has been informed of contact information for the Principal Officer, including name, title, mailing address, e-mail address, telephone number and facsimile number. The member will promptly notify FIU of any change to this information.

#### g. Other Processes

##### Maintenance of records

- (i) Transaction records, client identification of documents and audit trail for reconstructing the financial profile of an account shall be maintained and retained for a minimum period of 5 years from the date of termination of an account.
- (ii) The Principal Officer shall be responsible for ensuring maintaining and preserving proper record of all transactions prescribed under Rule 3 of the Rules, as mentioned below:
  - 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;
  - 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;
  - all suspicious transactions whether or not made in cash. 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 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
  - Records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN, card, utility bills etc.) obtained while opening the account and during the course of business relationship, shall be properly preserved for such number of years as would be required under the PMLA 2002 and rules made thereunder after the business relationship is ended. The KYC/AML Policy identification records and transaction data should be made available to the competent authorities upon request.
  - The Provisions for Section 51A, of the Unlawful Activities (Prevention) Act, 1967 (UAPA) relating to the purpose of prevention of and for coping with terrorist activities will be implemented and monitor timely basis.





- (iii) The records shall contain the following information:
- 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
  - parties to the transaction

#### **Training Programs and Investor Education**

- (i) We will develop ongoing employee training under the leadership of the Principal Officer. Our training will occur on at least on an annual basis. It will be based on our firm's size, its customer base, and its resources.
- (ii) Our training will include, at a minimum: what is money laundering, signs of money laundering that arise during the course of the employees' duties; what to do once the risk is identified; what employees' roles are in the firm's compliance efforts and how to perform them; the firm's record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the PMLA Act.
- (iii) We will review our operations to see if certain employees, such as those in compliance, margin, and corporate security, require specialized additional training. Our written procedures will be updated to reflect any such changes.
- (iv) As a part of investor awareness, the AML Policy will be displayed on company website.

#### **Hiring of Employees**

Screening procedures shall be conducted to ensure high standards when hiring employees. The key positions within the organisation structure having regard to risk of money laundering / terrorist financing and size of their business shall be identified in order to ensure that employees taking up such key positions are suitable and competent to perform their duties.

#### **Monitoring Employee Conduct and Accounts**

We will subject employee accounts to the same AML procedures as customer accounts, under the supervision of the Principal Officer. The Principal Officer's accounts will be reviewed by the Board of Directors.

#### **Confidential Reporting of AML Non-Compliance**

Employees will report any violations of the firm's AML compliance program to the Principal Officer, unless the violations implicate the Principal/Compliance Officer, in which case the employee shall report to the Board. Such reports will be confidential, and the employee will suffer no retaliation for making them.

The Managing Director – Mr. Hon Hee Siew shall be appointed as the designated officer of the Company and details thereof be intimated to FIU consequent to SEBI Circular CIR/MIRSD/112014 dated March 12, 2014

This PMLA Policy will be reviewed and updated every year on 31<sup>st</sup> March, on the basis of circulars issued by statutory authority from time to time and internal policies of the company.

**For iFAST Financial India Private Ltd.**

**Managing Director – Hon Hee Siew**



**Annexure-1 : Risk Categorization**

**RISK CATEGORISATION FOR ACCOUNTS IN THE NAME OF INDIVIDUALS**

Type	Recommended Risk Categorisation	Risk Perception
Salaried	Low risk	Source on income is fixed and pattern of entries in the account can be correlated with known sources of income/ expenditure.
Senior citizens	Medium / High Risk	Source of income for trading related purposes not known clearly. May be operated by third parties. Will be considered high risk in case operating in F&O
House-wife	Medium / High Risk	Source of income for trading related purposes not known clearly. May be operated by third parties. Will be considered high risk in case operating in F&O
Self Employed-Professionals/Businessmen	Low risk (except professionals associated with the film industry who will be categorized as "Medium" risk).	Accounts maintained by Chartered Accountants, Architects, Doctors, Lawyers, Sportsmen, etc.
Non Resident Individuals	Low / Medium risk	Transactions are regulated through Authorised Dealers and the accounts are opened only after IPV. In case an IPV is not performed and we have relied on documentation submitted by the client, the account would be categorised as medium risk.
Politically Exposed Persons resident outside India	High Risk	Politically exposed persons 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. Branches should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. Frontend staff should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. Such accounts should be subjected to enhanced monitoring on an ongoing basis. The above norms should also be applied to the accounts of the family members and close relatives of PEPs. Further, iFAST may maintain a list of additional accounts as "Designated PEP" The accounts of Politically Exposed Persons resident outside India shall be opened only after obtaining the approval of Business Head.



Type	Recommended Risk Categorisation	Risk Perception
		Further, in the event of an existing customer or the beneficial owner of an account subsequently becoming PEP, Business head approval would be required to continue the business relationship and such accounts would be subjected to Customer Due Diligence measures as applicable to the customers of PEP category including enhanced monitoring on an ongoing basis. In such events iFAST shall be guided by the information provided by the clients or front end teams.

### RISK CATEGORISATION FOR ACCOUNTS IN THE NAME OF NON-INDIVIDUALS

Risk categorization of Non Individual customers can be done basis the type of Entity / industry

Type / Industry	Recommended Risk Categorisation	Risk Perception
Private Ltd/Public Ltd Companies	Low / Medium /High risk	Depending on the clarity of the shareholding structure and the nature of operations, such companies would be classified. Such classifications shall be decided post the review of the compliance officer
Local Authorities or Public Bodies / undertakings, Government Departments/Undertakings, Statutory Corporations	Low Risk	They are constituted under Special Acts, Notifications etc framed by the Government of India or the State Govt and are controlled and run by the Govt.
Mutual Funds/Scheduled Commercial Banks/Insurance Companies/Financial Institutions	Low Risk	These entities are strictly regulated by their respective regulators.
Partnership Firm	Low / Medium /High risk	Depending on the clarity of the shareholding structure and the nature of operations, such entities would be classified. Such classifications shall be decided post the review of the compliance officer
Trusts – Public Charitable Trust	Medium / High Risk	Depending on the clarity of the beneficial ownership and the nature of operations, such entities would be classified. Such classifications shall be decided post the review of the compliance officer
Hindu Undivided Family (HUF)	Medium Risk	These are unregistered bodies and the pattern of entries in the account may not be correlated with known sources of income/ expenditure.
Societies / Associations / Clubs	High Risk (except 'Housing Societies' which will be	These are not highly regulated entities and the pattern of entries in the account may not be correlated with known sources of income/ expenditure.




Type / Industry	Recommended Risk Categorisation	Risk Perception
	categorized as "Low" risk).	
Trusts – Private Trust	High Risk	These may be unregistered trusts and the pattern of entries in the account may not be correlated with known sources of income/ expenditure.
Co-operative Banks	High Risk	These are not highly regulated entities.
Arms Dealer Money Changer Exchange Houses Gems / Jewellery / Precious metals / Bullion dealers (including sub-dealers) Real Estate Agents Construction Offshore Corporation Art/antique dealers Restaurant/Bar/casino/night club Import/Export agents (traders; goods not used for own manufacturing/retailing) Share & Stock broker Finance Companies (NBFC) Transport Operators Auto dealers (used/reconditioned vehicles/motorcycles) Scrap metal dealers Liquor distributorship Commodities middlemen Co-operative Banks Car/Boat/Plane dealerships/brokers Multi Level Marketing (MLM) Firms	High	The Risk categorisation is dependent on industries which are inherently High Risk or may exhibit high cash intensity

**NOTE:** If any of the above accounts are operated by Power of Attorney (POA) holder/mandate holder, then the account will be categorized as "High Risk".

Member shall put in place a system of periodical review of risk categorization of accounts. Such review of risk categorisation of customers shall be carried out at a periodicity of not less than one year

Category of client	Current Category	Risk	New Category	Risk	Remarks
Non Resident Savings Accounts	High		Medium		Account in existence for more than 1 year; no AML queries raised
Non individual accounts – 1. Trusts 2. CIS 3. Partnership firms 4. Companies where the shareholding structure is complex	High		Medium		Existence for more than two (2) years, and no AML queries have been raised / AML queries raised have been satisfactorily resolved
Non individual accounts –	High / Medium		Reduce Categorization	Risk by	Existence for more than one (1) year, and no AML queries have been raised / AML




Category of client	Current Category	Risk	New Category	Risk	Remarks
1. HUF 2. Companies other than above			one level (ie High to Medium / Medium to Low)		queries raised have been satisfactorily resolved
Individual accounts – 1. Housewives 2. Clients operating in F&O segment	High / Medium		Reduce Categorization by one level (ie High to Medium / Medium to Low)	Risk	Existence for more than one (1) year, and no AML queries have been raised / AML queries raised have been satisfactorily resolved

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

**Such clients include the following-**

- 1.2.1 Non resident clients
- 1.2.2 High net-worth clients,
- 1.2.3 Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
- 1.2.4 Companies having close family shareholdings or beneficial ownership
- 1.2.5 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 contained in the subsequent para 5.5 of this circular shall also be applied to the accounts of the family members or close relatives of PEPs.
- 1.2.6 Companies offering foreign exchange offerings
- 1.2.7 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.
- 1.2.8 Non face to face clients
- 1.2.9 Clients with dubious reputation as per public information available etc. The above mentioned list is only illustrative and the intermediary shall exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.



*[Handwritten signature]*

**Annexure – 2: Debarred client monitoring Policy**

Process wherein the name of the client (new or existing) matches with the SEBI negative list –

Type of client	Attribute matching with negative list	Action
New	PAN	Reject Account
	Name	<ol style="list-style-type: none"> <li>1. Check the address or any other detail in to <a href="http://www.watchoutinvestors.com/search_new.asp">http://www.watchoutinvestors.com/search_new.asp</a> , <a href="http://www.un.org/sc/committees/1267/consolist.shtml">http://www.un.org/sc/committees/1267/consolist.shtml</a> or SEBI/FMC order.</li> <li>2. If anything is closely resembling the client in question – Escalate case to compliance officer before opening</li> <li>3. Take a declaration from the client that he is not the same person.</li> <li>5. If the client is not cooperating – Not to open the account.</li> <li>6. If the client provides the documents, onboard the client and place in high risk</li> </ol>
Existing	PAN	Proceed to closure
	Name	<ol style="list-style-type: none"> <li>1. Escalate to compliance officer</li> <li>2. Review past transactions</li> <li>3. If the past transactions have shown any similarity to SEBI/FMC order or any alert or <a href="http://www.watchoutinvestors.com/search_new.asp">http://www.watchoutinvestors.com/search_new.asp</a>. – Close the account KYC/AML Policy</li> <li>4. If not – ask the client to provide declaration he is not the same person.</li> <li>5. If the client is not cooperating – Proceed for closure of the account</li> <li>6. If the client provides the documents, onboard the client and place in high risk</li> </ol>




### Annexure-3

#### Indicative list of Suspicious Activities

Whether a particular transaction is suspicious or not will depend upon the background details of the client, details of the transactions and other facts and circumstances. Following are the circumstance, which may be in the nature of suspicious transactions. This list is only inclusive and not exhaustive.

1. Complex/unusually large transactions/ unusual patterns where the source of the funds is not clear or not in keeping clients' apparent standing/business activity. Activity materially inconsistent with what would be expected from declared business or client's apparent financial standing
2. Client suspected of having links with known criminals or having suspicious background
3. Client appears not to co-operate.
4. Use of different accounts by client alternatively.
5. Sudden activity in dormant accounts
6. Multiple accounts and Unexplained transfers between multiple accounts with no rationale
7. Large number of account having a common account holder, authorized signatory with no rationale
8. Any account used for circular trading
9. A transaction which appears to be a case of insider trading
10. Transactions reflect likely market manipulations
11. Suspicious off market transactions
12. Value of transaction just under the reporting threshold amount in an apparent attempt to avoid reporting
13. Inconsistency in the payment pattern by the client
14. Accounts based as 'passed through'. Where no transfer of ownership of securities or trading is occurred in the account and the account is being used only for funds transfers / layering purposes.
15. Purchases made in one client's account and later on transferred to a third party through off market transactions through DP Accounts;
16. High trading activity in the relatively illiquid scrips;
17. Major trading activity in the Z and TtoT category scrips;
18. Unusually large cash deposits made by an individual or business;
19. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
20. Transfer of investment proceeds to apparently unrelated third parties;
21. Off market transactions in the DP account of the clients;





