Anti-Money Laundering (AML) Policy

PUMARTH
Credit & Capital Ltd.

SEBI REGISTRATION NUMBER (DEPOSITORY PARTICIPANT)
IN-DP-160-2015

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Anti-Money Laundering (AML) Policy

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Note: This AML Policy content is reproduced from the firm's internal AML/PMLA policy document provided for publication on the website. It is intended for investor awareness and regulatory compliance disclosure.

Regulatory alignment (reference): This policy is to be read with applicable SEBI AML/CFT guidelines for securities market intermediaries and FIU-IND reporting requirements (CTR/STR through FINnet/FINgate), as amended from time to time.

Guidelines for Prevention of Money Laundering Act, 2002.

Introduction

The Prevention of Money Laundering Act, 2002 and the rules made hereunder imposed an obligation on banks/Financial institutions/ intermediaries/ registrars under SEBI Act, 1992 to verify the identity of clients, maintenance of records and furnishing information to Director, FIU–IND. Intermediaries defined under section 12 of SEBI Act, 1992 includes stock broker and sub broker also and Pumarth Credit & Capital Ltd (DP ID 41000) being a DP and stock broker needs to adhere to the same.

It is the policy of the Pumarth Credit & Capital Ltd (DP ID 41000) to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. The company also exercises clients due diligence and define and segregate clients as special category and in accordance to their risk profile. 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.

Principal Officer and Designated Director

Pumarth Credit & Capital Ltd (DP ID 41000) has designated Mr. Rajendra Kumar Mungar as the Compliance and Principal Officer and Mr. Manoj Kasliwal as Designated Director for its Anti-Money Laundering policy implementation & monitoring with full responsibility for the AML program. Both Principal Officer and

Designated Director have long-standing experience in the capital market, and are qualified by experience, knowledge and training. The duties of the Principal Officer will include monitoring the company's compliance with AML obligations, overseeing communications 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).

Pumarth Credit & Capital Ltd (DP ID 41000) has provided the FIU with contact information for the Principal Officer and Designated Director, including name, title, mailing address, e-mail address, telephone number and facsimile number & Pumarth Credit & Capital Ltd (DP ID 41000) will promptly notify FIU of any change to this information.

FIN net Gateway

All reports pertaining to financial transactions under Prevention of Money laundering Act, 2002 are required to submit through the FINnet Gateway (FINgate) Portal, which is designed as a comprehensive interface between the reporting entities and FIU-IND. Pumarth Credit & Capital Ltd (DP ID 41000) is required to register themselves as 'reporting entity'. Further member is also required to submit the details of Principal Officer & designated director through FINnet gateway.

Client Acceptance Policy

Pumarth Credit & Capital Ltd (DP ID 41000) needs to follow the following policy and procedure in order to identify the types of clients / customers that are likely to pose a risk of money laundering or terrorist financing. By establishing these policies and procedures, the organization will be in a better position to apply customer due diligence on a risk sensitive basis.

Accordingly, the following safeguards are required to be followed while accepting the clients.

1. No account is opened in a fictitious / benami name or on an anonymous basis.
2. Know Your Client form to be filled completely. Special attention is to be given to items which are marked mandatory.
3. Documents submitted for our records should be diligently verified with the originals. More importantly PAN card, proof of address, proof of identity needs to be verified with the originals. Further, details of PAN card should be verified with the income tax web site.
4. The client name and the names of directors and shareholders to be verified at various databases like ANMI ABCD database, SEBI debarred entity lists, FATF Statements, Exchange database of regulatory actions against various entities. The following link may be checked
   https://www.un.org/securitycouncil/content/un-sc-consolidated-list

5. No client account to be opened where the important / mandatory details are not furnished by the client even after repeated follow ups. Further client account not to be opened in cases where information provided to us is suspected to be non genuine, there is a perceived non-cooperation of the client in providing full and

complete information specially in respect of mandatory and / or important information.

6. Documentation requirement and other information to be collected in respect of different classes of clients would depend on the perceived risk and having regard to the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI, Exchanges and SEBI from time to time.
7. To ensure that the client's identity 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.
8. Special attention is to be given to clients who tend to open multiple accounts in various combinations of its first name, surname and middle name.

Client Due Diligence (CDD)

The main aspect of this policy is the client due diligence process which means identifying the client and verifying his/her identity by using reliable, independent source documents, data or information. Pumarth Credit & Capital Ltd (DP ID 41000) should obtain sufficient information necessary to establish, to their satisfaction, the identity of each new client, whether regular or occasional. To conduct an on going due diligence and scrutiny of the account/ client to ensure that the transaction conducted are consistent with the clients' background/ financial status, its activities and risk profile. Pumarth Credit & Capital Ltd (DP ID 41000) has adopted appropriate CDD measures comprising of:

- To obtain sufficient information in order to identify persons who will beneficially own or control the account and whose behalf a transaction is being conducted. In order to identify the ultimate beneficial ownership (UBO) in case of non-individuals, the company will try to find the same through looking into the share-holding / sharing interest/ controlling stake pattern upto 3 levels. In case no natural person is identified as stated above, the relevant natural persons who holds the position of senior managing official / director/ partner etc. would be considered as UBO.
- To identify person who are politically exposed and to follow additional due diligence with respect to same.
- To conduct an on going due diligence and scrutiny throughout the course of business relationship to ensure that transaction conducted are consistent with Company's knowledge of clients, its business and risk profile.
- To update all documents, data or information of all clients and beneficial owners collected under CDD process.
- All the documents obtain from the client will be updated on an annual basis.

Client Identification Procedure (CIP)

Client Identification and Verification

At the time of opening an account Pumarth Credit & Capital Ltd (DP ID 41000) will verify and maintain the record of identity and current address or addresses including permanent address or addresses of the client, the nature of business of the client and his financial status as under:

Client identification document requirements

Constitution of Client	Proof of Identity	Proof of Address	Others
Individual	PAN Card (Compulsory) Voter Identity Card Driving License Passport Aadhaar Card (Any One of the above)	Copy of Bank Statement Passport Driving License Voter Identity Card Ration Card Rent Agreement landline Telephone Bill (not older than 3 months) Copy of Electricity Bill (not older than 3 months) Banker Verification (Scheduled Commercial Bank only) Aadhaar Card (Any One of the above)	Proof of Identity and Address of the Introducer if any,
Company	PAN Card (Compulsory) Certificate of Incorporation Memorandum and Articles of Association Resolution of Board of Directors Shareholding Pattern	Copy of Bank Statement Rent Agreement landline Telephone Bill (not older than 3 months) Copy of Electricity Bill (not older than 3 months) Banker Verification (Scheduled Commercial Bank only)	PAN Card along with Proof of Identity and Address of the Directors/Others authorized to trade on behalf of the company. Proof of Identity and Address of the Introducer if any,
Partnership Firm	PAN Card Registration certificate Partnership deed	Copy of Bank Statement Rent Agreement landline Telephone Bill (not older than 3 months) Copy of Electricity Bill (not older than 3 months) Banker Verification (Scheduled Commercial Bank only)	PAN Card along with Proof of Identity and Address of the Partners/Others authorized to trade on behalf of the firm. Proof of Identity and Address of the Introducer if any,
Trust	PAN Card Registration certificate Trust deed	Copy of Bank Statement Rent Agreement landline Telephone Bill (not older than 3 months) Copy of Electricity Bill (not older than 3 months) Banker Verification (Scheduled Commercial Bank only)	PAN Card along with Proof of Identity and Address of the Trustees/ others authorized to trade on behalf of the trust. Proof of Identity and Address of the Introducer if any,
AOP / BOI	PAN Card Resolution of the managing body Documents to collectively establish the legal existence of such an AOP/ BOI	Copy of Bank Statement Rent Agreement landline Telephone Bill (not older than 3 months) Copy of Electricity Bill (not older than 3 months) Banker Verification (Scheduled Commercial Bank only)	PAN Card along with Proof of Identity and Address of the Persons authorized to trade on behalf of the AOP/ BOI. Proof of Identity and Address of the Introducer if any,

- In-Person-Verification of client is to be carried out as required by rules and regulations. Details of the verification are mentioned itself on the account opening form.
- Aadhaar number of all clients to be obtained in case of Individuals whereas in case of non-individuals, Aadhaar to be collected for the persons authorized to trade on behalf of the non-individual entity.
- If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, Pumarth Credit & Capital Ltd (DP ID 41000) will not open the new account / will freeze the account till the time, the client resolves the issue.
- All PAN Cards received will be verified from the Income Tax/ NSDL website before the account is opened.

- Pumarth Credit & Capital Ltd (DP ID 41000) will maintain records of all identification information for eight years after the account has been closed.
- Pumarth Credit & Capital Ltd (DP ID 41000) may rely on a third party such as KRA / CKYC agencies etc. (a) for the purpose of identification and verification of the identity of a client and (b) determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PMLA Act. Further such reliance shall be subject to the conditions that are specified in Rule 9 of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI and Exchanges from time to time.

Risk Based Approach

Client Categorization

Pumarth Credit & Capital Ltd (DP ID 41000) has to put in place parameters to categories the clients into high, medium and low risk clients. Given below are the parameters for risk categorization of clients:

High Risk Clients

Pumarth Credit & Capital Ltd (DP ID 41000) would apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk clients, especially those for whom the sources of funds are not clear. The examples of clients requiring higher due diligence may include:

- Non Resident Indians.
- Trust, Charities, NGOs and organizations receiving donations.
- Politically Exposed Persons of foreign origin.
- Current and former head of state, high profile politicians and connected persons (immediate family, close advisors and companies in which such individuals have interest or significant influence.)
- Companies offering foreign exchange offerings.
- Clients in high risk countries.
- Clients with dubious reputation as per public information available etc having Criminal backgrounds.
- Persons in special categories apart from mentioned above.

We would follow the additional due diligence with respect to high risk clients as compare to medium / low risk clients.

- Approval of management is required at the time of opening of such high risk account.
- Trading pattern is observed on an ongoing basis.
- Extra due diligences are carried out while accepting fund and securities from such high risk/ medium risk account.
- Annual financial updation letters are sent to the clients along with changes in KYC information

- In case if the client falls under SEBI debarred list after registration necessary action is taken as per our PMLA policy.
- We check the trading pattern of their income according to their turnover.
- Reconfirmation of KYC after every 3 years.

Medium Risk Clients

Clients that are likely to pose an average risk to the company may be categorized as medium risk depending on the client's background, nature and location of activity, country of origin, sources of funds and the client profile etc; such as:

- Persons in business/industry or trading activity where the area of his residence or place of business has a scope or history of unlawful trading/business activity.
- Clients who mainly deals in intraday speculative transactions and whose turnover is not in line with the financials declared.
- Clients having close family shareholdings or beneficial ownership.
- Clients whose cheques have been dishonored 3 times or more in the last 30 days.
- Reconfirmation of KYC after every 6 years

Low Risk Clients

Individuals and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to their known profile and their financials declared are categorized as low risk. Also those clients who makes payment/delivery in time and follow the norms established by regulators and company are to be considered as Low Risk Clients. Reconfirmation of KYC after every 8 years.

Clients of Special Category (CSC)

Pumarth Credit & Capital Ltd (DP ID 41000) will identify clients of special category who would include NRI, Trusts, Charities, Non-Government Organization, politically exposed persons, Companies offering foreign exchange offering, clients residing in high risk countries or countries active in narcotics productions etc, clients with dubious reputation as per public information available. High level client due diligence will be under taken for CSC.

Freezing of Assets

Assets lying in form of securities in clients DP account may be frozen if directed by any regulatory authority, for duration specified or until further notice is received to revoke such freeze instruction.

Suspicious Transactions

Identification:- "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 proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- appears to be made in circumstances of unusual or unjustified complexity; or
- appears to have no economic rationale or bona fide purpose; or
- gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;
- Clients based in high risk jurisdiction.
- Substantial increase in business without apparent cause.
- Transactions reflect likely market manipulations.
- Sudden activity in dormant accounts.

Monitoring Accounts For Suspicious Activity

The following kinds of activities are to be mentioned as activities which require further scrutiny and reported to the Principal Officer.

- transaction inconsistent with the normal pattern of the client's trading activity
- Sudden activity in dormant accounts;
- Clients making large transfers to a third party through off market transactions through DP Accounts;
- High value transactions not in sync with his financials.
- Large deals at prices away from the market
- Client scrip concentration
- Comparison of client turnover with client income.
- High trading activity in illiquid scrip
- Major trading activity In "Z", "T2T", ASM, GSM, S+ framework category

Any activities which require further scrutiny will be escalated to the Principal Officer for further investigation.

Maintenance of Records

The Principal Officer will be responsible for the maintenance of following records:

- All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
- 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 eight years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later. 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

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
- The parties to the transaction.
- Registered intermediaries shall maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, for a period of eight years from the date of the transaction between the client and the intermediary.

Periodicity of Review of the Policy

The Company shall take review of the PMLA Policy on yearly basis.

Reporting to FIU IND

For Cash Transaction Reporting

- All dealing in Cash that requires reporting to the FIU IND will be done in the CTR format and in the matter and at intervals as prescribed by the FIU IND

For Suspicious Transactions Reporting

We 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 through Fin net gateway and within required deadlines. This will typically be in cases where we know, suspect, or have reason to suspect:

- The transaction involves funds 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 of the transaction reporting requirement,
- The transaction is designed, whether through structuring or otherwise, to evade any of the requirements of PMLA Act and Rules framed thereof
- The transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and we know, after examining the background, possible purpose of the transaction and other facts, of no reasonable explanation for the transaction, or
- The transaction involves the use of Pumarth Credit & Capital Ltd (DP ID 41000) to facilitate criminal activity.

We will not base our decision on whether to file a STR solely on whether the transaction falls above a set threshold. We will file a STR and notify law enforcement of all transactions that raise an identifiable suspicion of criminal, terrorist, or corrupt activities.

All STRs will be reported quarterly to the Board of Directors, with a clear reminder of the need to maintain the confidentiality of the STRs

We will not notify any person involved in the transaction that the transaction has been reported, except as permitted by the PMLA Act and Rules thereof.

AML Record Keeping

A. STR Maintenance and Confidentiality

We will hold STRs and any supporting documentation confidential. We will not inform anyone outside of a law enforcement or regulatory agency or securities regulator about a STR. We will refuse any requests for STR information and immediately tell FIU IND of any such request we receive. We will segregate STR filings and copies of supporting documentation from other Pumarth Credit & Capital Ltd (DP ID 41000) books and records to avoid disclosing STR filings. Our Principal Officer will handle all requests or other requests for STRs.

B. Responsibility for AML Records and SAR Filing

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

C. Records Required

As part of our AML program, our principal officer will create and maintain STRs and CTRs and relevant documentation on customer identity and verification. We will maintain STRs and their accompanying documentation for at least eight years.

Risk Management

- The KYC policies and procedures of the company covers management oversight, systems and controls, segregation of duties, training and other related matters. For ensuring effective implementation of the company's KYC policies and procedures, the officials shall explicitly allocate responsibilities within the company. The officials shall prepare risk profiles of all their existing and new clients and apply Anti Money Laundering measures keeping in view the risks involved in a transaction, account or broking / business relationship.
- Training encompassing applicable money laundering laws and recent trends in money laundering activity as well as the company's policies and procedures to combat money laundering shall be provided to all the staff members of the broker periodically in phases. Periodically ongoing training program for employees is taken so that members of the staff are adequately trained in AML and CFT (Combating Financing of Terrorism) procedure & ongoing changes in PMLA rules & regulations. Additionally to discuss the various circulars / notices related to PMLA/FIU issued by regulators including exchanges to be discussed at in-house training programs. Also to attend seminars / workshops organised by exchanges / FIU / trade body etc. to enhance the knowledge about the same.
- The Accounts Department shall be empowered to prescribe threshold limits for a particular group of accounts and the officials shall pay particular attention to the

transactions which exceed these limits. The threshold limits shall be reviewed on regular intervals and changes, if any, conveyed to officials for monitoring.

Hiring of Employees

There should be adequate screening procedures in place to ensure high standards when hiring employees. Key positions within our organization structure should be identified with regards to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

Training Programs

We will develop ongoing employee training and Investor Education under the leadership of the Principal Officer. It will be based on our Pumarth Credit & Capital Ltd (DP ID 41000) size, its customer base, and its resources.

Our training will include, at a minimum: how to identify Client under scrutiny and 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 Pumarth Credit & Capital Ltd (DP ID 41000) compliance efforts and how to perform them; Pumarth Credit & Capital Ltd (DP ID 41000) record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the PMLA Act. Discuss the various circulars / notices related to PMLA/FIU issued by regulators including exchanges to be discussed at in-house training programs.

We will review our operations to see if certain employees, such as those in compliance, margin, and corporate security, require specialized additional training. The same will be enhanced by attending seminars / workshops organized by exchanges / FIU / trade body etc. to enhance the knowledge about the same.

Our written procedures will be updated to reflect any such changes.

Confidential Reporting of AML Non-Compliance

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

Board of Directors Approval

The Board of Directors has approved this AML program as reasonably designed to achieve and monitor our ongoing compliance with the requirements of the PMLA and the implementing regulations under it.