

**INDUS PORTFOLIO PRIVATE LIMITED**  
**POLICIES AND PROCEDURE FOR PREVENTION OF MONEY LAUNDERING**  
**(Issued as per the requirements of the PMLA Act 2002)**

**1. Company Policy**

Money laundering is the process by which large amounts of illegally obtained money (from drug trafficking, terrorist activity or other serious crimes) is given the appearance of having originated from a legitimate source.

If done successfully, it allows the criminals to maintain control over their illegal proceeds and ultimately to provide a legitimate cover for their source of income. Money laundering plays a fundamental role in facilitating the ambitions of the drug trafficker, the terrorist, the organised criminal, the insider dealer, the tax evader as well as the many others who need to avoid the kind of attention from the authorities that sudden wealth brings from illegal activities. By engaging in this type of activity it is hoped to place the proceeds beyond the reach of any asset forfeiture laws.

**2.i Designated Director.**

In accordance with SEBI Circular dated 12<sup>th</sup> March 2014 & PML Rules, the Board of Directors of the Company have designated Director/Operation/CEO Mr. Kulbir Singh to oversee all matters relating to PML, besides the Principal Officer.

**2.ii Principal Officer Designation and Duties**

The Company has designated Shri Mohit Makkar, Chief General Manager as the Principal Officer for its Anti-Money Laundering Program, with full responsibility for the firm's AML program. Shri Mohit Makkar is FCA from The Institute of Chartered Accountants of India (ICAI) New Delhi, and is qualified by experience. 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)

Indus Portfolio Pvt. Ltd. has furnished the FIU with contact information for the Principal Officer, including name, title, mailing address, e-mail address, telephone number and facsimile number. The firm will promptly notify FIU of any change to this information.

Amendment in line with SEBI circular of 12-03-2014

**3. Customer Due Diligence**

3.1 The customer due diligence ("CDD") measures comprise the following:

- a. To obtain adequate information in order to identify persons who beneficially own or control securities account. 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 should be identified using client identification and verification procedures. 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. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.
- b. To verify the customer's identity using reliable, independent source documents, data or information;

- c. To identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the customer and/or the person on whose behalf a transaction is being conducted;
- d. To verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c); and
- e. To 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.
- f. To take all measures including the above to fulfill due diligence requirements laid down in the **"Know your Client" (KYC) Form**

#### 4. Policy for acceptance of clients:

4.1 The following safeguards will be followed while accepting the clients:

- a. No account is opened in a fictitious / benami name or on an anonymous basis.
- b. Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters should 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.
- c. Documentation requirement and other information to be collected in respect of different classes of clients depending on perceived risk and having regard to the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI and SEBI from time to time.
- d. 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. The market intermediary should not continue to do business with such a person and file a suspicious activity report. It should also evaluate whether there is suspicious trading in determining in whether to freeze or close the



account. The market intermediary should be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the market intermediary should consult the relevant authorities in determining what action it should take when it suspects suspicious trading.

e. Necessary checks and balances are 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 banned access to the financial market by SEBI/Exchange or any other govt. enforcement agency for involvement in criminal or civil proceedings.

#### 5. Risk-based Approach

Apply each client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that we should adopt an enhanced customer due diligence process for higher risk categories of customers. Conversely, a simplified customer due diligence process may be adopted for lower risk categories of customers. In line with the risk-based approach, the type and amount of identification information and documents that we should obtain necessarily depend on the risk category of a particular customer.

#### 6. Classification of Clients

Clients are classified into different risk categories (Low, Medium or High Risk) based on various parameters like client's location (registered office address, correspondence addresses and other address if any applicable, , nature of business activity, trading turnover, manner of making payment for transactions undertaken, relationship, etc.)

Broadly speaking the following are the guidelines for classification of categories

- o **Low risk client** includes clients who :
  - œ Provide references
  - œ No delegation of authority for operation of account
  - œ Always provide securities and funds in time
  - œ Places order within reasonable period of time
  - œ Turnover in line with financials
  - œ Deal only on Delivery Basis

#### **Grouping Parameters    Risk Category - Low**

- œ Low turnover with low financial income    Low
- œ Government Employees    Low
- œ Housewives    Low
- œ Retired Employees    Low
- œ Agriculture Sector    Low

o **Medium risk client**: Any client who cannot be comfortably placed in neither in Low

risk not in High Risk category.

**Grouping Parameters Risk Category - Medium**

- ☞Medium Turnover with corresponding financial income
- ☞Top 100 (HNI Clients)
- ☞Stock Broker Employees

○**High risk client** includes all clients mentioned under Special category of clients and any client against whom any order is passed by regulatory authorities or any investigation is launched which is pending Any client against whom any regulatory order is passed for accessing market then such client will automatically be black listed and no further trading should be done for those accounts.

**Grouping Parameters Risk Category - High**

- ☞2 or more instances of bouncing of cheques
- ☞High Brokerage with low financial income
- ☞High Turnover with low financial income
- ☞Doing large volumes in illiquid scrips
- ☞Advocate Clients
- ☞Builder Clients
- ☞Politician Clients
- ☞City (area)

Any large activity in Dormant Account.

7-Verification of names of customers in updated list of individuals and entities subject to various sanction measures of UN Security Council Committee and complying with Government order.  
-Compliance with statutory and regulatory requirements.

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

**Clients are categorised as under**

- 1.Passive client**
- 2.Moderately active client**
- 3.Special Category client**

Special Category clients include the following:

- a.Non resident clients
- b.High networth clients – Having investment of 25 Lacs or more
- c.Highly active clients
- d.Trust, Charities, NGOs and organizations receiving donations
- e.Companies having close family shareholdings or beneficial ownership
- f.Politically exposed persons (PEP) of Indian origin and foreign origin
- g.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)
- h.Companies offering foreign exchange offerings
- i.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.

j.Non face to face clients

k.Clients with dubious reputation as per public information available etc.

#### 9 Customer Identification and Verification

At the time of opening an account or executing any transaction with it, the firm 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

Constitution of Client	Proof of Identity	Proof of Address	Others
Individual	1.PAN Card	2.Copy of Bank Statement/ Current Driving 8.License/Passport etc.	3.N.A.
Company	4. PAN Card 5.Certificate of incorporation 6.Memorandum and Articles of Association 7.Resolution of Board of Directors		
Partnership Firm	9.PAN Card 10.Registration certificate	11.- Do -	
Trust	12.Partnership deed 13.PAN Card 14.Registration certificate 15.Trust deed	16. – Do -	

16.If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our firm will not open the new account.

17.All PAN Cards received will verified form the Income Tax/ NSDL website before the account is opened

18.The firm will maintain records of all identification information for ten years after the account has been closed

#### 10. Maintenance of records

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

- 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;
- 1) 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 -

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."

The records will be updated on daily basis, and in any case not later than 5 working days

#### 10 ii Preservation of Records

- All Records pertaining to transactions of clients will be preserved & maintained for a period of 5 years.
- Records evidencing the identity of the clients as well as the account files & business correspondence shall be maintained & preserved for a period of 5 years after the termination of relationship with a client or when the a/c is closed whichever is later.
- Records relating to information reported to Director FIU will be maintained & preserved for 5 years from the date of transaction.

#### 11. Monitoring Accounts For Suspicious Activity

The firm will monitor through the automated means of Back Office Software for unusual size, volume, pattern or type of transactions. For non automated monitoring, the following kind of activities are to be mentioned as Red Flags and reported to the Principal Officer.

- The customer exhibits unusual concern about the firm's compliance with government reporting requirements and the firm'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.
- The customer wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer's stated business or investment strategy.
- The information provided by the customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.
- Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.
- The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
- The customer exhibits a lack of concern regarding risks, commissions, or other transaction costs.
- The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.
- The customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.
- The customer attempts to make frequent or large deposits of currency, insists on dealing only in cash, or asks for exemptions from the firm's policies relating to the deposit of cash.
- The customer engages in transactions involving cash or cash equivalents or other monetary instruments that appear to be structured to avoid the Rs.10,00,000 government



reporting requirements, especially if the cash or monetary instruments are in an amount just below reporting or recording thresholds.

For no apparent reason, the customer insists for multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers.

The customer engages in excessive journal entries between unrelated accounts without any apparent business purpose.

The customer requests that a transaction be processed to avoid the firm's normal documentation requirements.

The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities, such as Z group and T group stocks, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)

The customer's account shows an unexplained high level of account activity

The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.

The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer.

When a member of the firm detects any red flag he or she will escalate the same to the Principal Officer for further investigation

### Suspect Trades

Broad categories of reason for suspicion and examples of suspicious transactions for an intermediary are indicated as under:

#### Identity of Client

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities

#### Suspicious Background

- Suspicious background or links with known criminals

#### Multiple Accounts

- Large number of accounts having a common account holder, introducer or authorized signatory with no rationale
- Unexplained transfers between multiple accounts with no rationale

#### Activity in Accounts

- Unusual activity compared to past transactions
- Use of different accounts by client alternatively
- Sudden activity in dormant accounts
- Activity inconsistent with what would be expected from declared business
- Account used for circular trading

#### Nature of Transactions

- Unusual or unjustified complexity

- No economic rationale or bonafide purpose
- Source of funds are doubtful
- Appears to be case of insider trading
- Investment proceeds transferred to a third party
- Transactions reflect likely market manipulations
- Suspicious off market transactions

#### Value of Transactions

- Value just under the reporting threshold amount in an apparent attempt to avoid reporting
- Large sums being transferred from overseas for making payments
- Inconsistent with the clients apparent financial standing
- Inconsistency in the payment pattern by client
- Block deal which is not at market price or prices appear to be artificially inflated/deflated

### 12. Reporting to FIU IND

#### For Cash Transaction Reporting

- All dealing in Cash that requiring 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 Suspicion Transaction that have not been explained to the satisfaction of the Principal Officer and thereafter report the same to the FIU IND and the 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 the transaction reporting requirement,
- the transaction is designed, whether through structuring or otherwise, to evade the any 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 the firm 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.

### 13.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 firm 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 firm 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 five years.

14. Training Programs

We will develop ongoing employee training under the leadership of the Principal Officer. Our training will occur on at least an annual basis. It will be based on our firm's size, its customer base, and its resources.

Our training will include, at a minimum: how to identify red flags 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 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.

We will develop training in our firm, or contract for it. Delivery of the training may include educational pamphlets, videos, intranet systems, in-person lectures, and explanatory memos.

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.

15. Program to Test AML Program

a. Staffing

The testing of our AML program will be performed by the Statutory Auditors of the company

b. Evaluation and Reporting

After we have completed the testing, the Auditor staff will report its findings to the Board of Directors. We will address each of the resulting recommendations.

16. 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. We will also review the AML performance of

supervisors, as part of their annual performance review. The Principal Officer's accounts will be reviewed by the Board of Directors

17. Freezing of funds, financial assets or economic resources or related services

We follow instruction which has been issued vide SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009, which needs to be complied with scrupulously. 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 Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs). In opening any new account, it will be ensured that the name/s of the proposed customer does not appear in the above list. We scan all existing accounts to ensure that no account is held by or linked to any of the entities. Full details of accounts bearing resemblance with any of the individuals/entities in the list will be intimated to SEBI and FIU-IND

18. Hiring of Employees

We have adequate screening procedures in place to ensure high standards when hiring employees. We identify the key positions within our organization structures having regard to the risk of money laundering and terrorist financing and the size business and ensure that employees taking up such key positions are competent to perform their duties.

19. 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 Compliance Officer, in which case the employee shall report to the board of Director's through the company Secretary/CFO. Such reports will be treated as confidential, and the employee will suffer no retaliation for making such reports.

20. Board of Directors Approval

We have approved this Anti Money Laundering and Terrorist Financing program as reasonably designed to achieve and monitor our firm's ongoing compliance with the requirements of the PMLA and the implementing regulations under it.

(Amendment/Additions have been carried out where required in accordance with SEBI circular no. CIR/MIRSD/1/2014 dated 12th Marh, 2014)

For Indus Portfolio Private Limited

  
(Kulbir Singh Surjewala)  
Director

  
(I.K. Rasgotra)  
Director



