

Policy of Shriram Financial Services Private Limited Under Prevention of Money Laundering Act (2002)

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PREFACE

This Prevention of Money Laundering Policy (the Policy) has been prepared in accordance Prevention of Money Laundering Act, 2002 (PMLA Act). This Policy also takes into account the provisions of the PMLA Act and other Rules laid down by SEBI, FIU, Exchanges and Depositories.

Prevention of Money Laundering Act, 2002

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.

The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including stockbrokers, depository participants etc) to verify identity of clients, maintain records and furnish information on suspicious transactions to the Financial Intelligence Unit (FIU) - INDIA

Financial Intelligence Unit (FIU) - INDIA

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. FIU-IND has been established as the central national agency responsible for receiving, processing, analysing 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.

Statutory and Regulatory requirement

The Act imposes an obligation on banking companies, financial institutions and intermediaries associated with the securities market and registered with the Securities and Exchange Board of India (SEBI) under section 12 of SEBI Act, 1992 to adhere to client opening procedures and maintain records of such transactions as prescribed under the PMLA and Rules and guidelines issued by the Government of India from time to time.

The Stockbrokers, Depository Participants and Portfolio Managers fall under the category of intermediaries under section 12 of SEBI Act, 1992, and hence the provisions of PMLA are also applicable to all of them. Establishment of Anti-money Laundering programs by Market Intermediaries are one of the central recommendations of the Financial Action Task Force (FATF).

SEBI has issued necessary directives from time to time vide its circulars covering issues related to Know Your client (KYC) norms, Anti Money Laundering (AML), Client Due Diligence (CDD) and Combating Financing of Terrorism (CFT). This policy document is based on the SEBI's master circular on PMLA bearing reference no. ISD/AML/CIR-1/2010 dated February 12, 2010 and subsequent circulars bearing

reference no. CIR/ISD/AML/2/ 2010 dated June 14, 2010, CIR/ISD/AML/3/2010 dated December 31, 2010, SEBI/HO/MIRSD/DOP/CIR/P/ 2019/113 dated October 15, 2019 and SEBI/HO/ MIRSD/ MIRSDSEC-5/P/CIR/2023/022 dated February 03, 2023 which consolidates requirements/obligations to be fulfilled by all the registered intermediaries, SEBI Circular No. CIR/MIRSD/1/2014 dated March 12, 2014 and SEBI/HO/MIRSD /DOS3/CIR/P/2018/104 dated July 4, 2018 including Central Depository Securities Limited (CDSL) communique no. CDSL/OPS/DP/POLCY/2017/176 dated April 05, 2017 and CDSL/OPS/DP/POLCY/2017 /354 dated July 18, 2017, National Securities Depositories Limited (NSDL) circular No. NSDL/POLICY/2018/0015 dated March 14, 2018.

The Regulations mandate that customer due diligence process to include three specific parameters:

- **Policy for acceptance of clients:** Each client should be met in person Complete KYC to be done for all clients. No account to be opened in a fictitious/benami name or on an anonymous basis. Beneficial Owners should submit/update their with the Depository Participant. The KYC process is currently based on assisted model, where the Relationship managers face to face sits with the client to execute the entire KYC process, including In-person verification (IPV) and getting them onboard. Clients can also be onboard through online through E-KYC process and video IPV. However, under below models, there are exemptions to IPV-
 - IPV/ VIPV would not be required when the KYC of the investor is completed using the Aadhaar authentication / verification of UIDAI and the AOF digitally signed with Aadhaar based esign or equivalent as per the Information Technology Act 2000.
 - IPV/ VIPV shall not be required when the KYC form has been submitted online, documents have been provided through Digi-locker or any other source which could be verified online under the Document issuer's Digital signature and the AOF digitally signed with Aadhaar based esign or equivalent as per the Information Technology Act 2000
- **Clients Identification Procedure:** (Risk profiling) All clients to be classified as per the risk into 3 categories Low, Medium and High Risk. Clients of special category may, if necessary, be classified even higher; Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profiles
- **Suspicious Transaction:** Identification and reporting Any unusual activity compared to past transactions Sudden activity in Dormant accounts Sudden High volume / high value transactions.

The principal officer shall report the nature, amount, date and all related details of any and all suspicious transactions recorded. This policy will be subject to changes to incorporate further directives that SEBI may give vide its circulars on PMLA, from time to time.

PMLA ANALYSIS BY SHRIRAM FINANCIAL SERVICES PRIVATE LIMITED

Shriram Financial Services Private Limited has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall make a framework to report cash and

suspicious transactions to Regulators as per the guidelines of PMLA Rules, 2002 and guidelines issued by the Government of India from time to time.

OBJECTIVE UNDER THE GUIDELINES

The purpose of this document is to guide all the employees of Shriram Financial Services Private Limited and of its associates (including Business Associates /Authorised Persons and their employees) 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 persons 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”.

Some of these suggested measures may not be applicable to every circumstance or to each department, Branch / Authorised Person (erstwhile Sub-broker), Product /line of business for which appropriate intermediary Registration is obtained and valid as on date. However, each entity should carefully consider the specific nature of its business, type of customer and transaction to satisfy itself that the measure taken by the employees are adequate and appropriate to follow the spirit of these guidelines.

POLICY FOR ACCEPTANCE OF CLIENTS

Role of Central Processing Cell (CPC) / Relationship Manager

- **In-person verification:** each client should be met in person. 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. The alternate process to get a client onboard online, where the client executes the KYC form themselves, submits the required documents online, even the IPV process is carried online. Even in such case, IPV can be exempted in case.
- IPV/ VIPV would not be required when the KYC of the investor is completed using the Aadhaar authentication / verification of UIDAI and the AOF digitally signed with Aadhaar based esign or equivalent as per the Information Technology Act 2000.
- IPV/ VIPV shall not be required when the KYC form has been submitted online, documents have been provided through Digi-locker or any other source which could be verified online under the Document issuer’s Digital signature and the AOF digitally signed with Aadhaar based esign or equivalent as per the Information Technology Act 2000
- **Client complete information:** It should be ensured that the initial forms taken by the clients are filled in completely. All photocopies/scan/photo image submitted by the client are checked against original documents without any exception. Ensure that the ‘Know Your Client’ policy is followed
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- without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) / Exchanges / Depository / CERSAI / KRA are obtained and verified.
- **Document Scrutiny:** Scrutinize the forms and details submitted by the client thoroughly and cross check the details with various documents obtained like identity of the client, source of income. If required, ask for any additional details like income tax returns, salary slips, etc. to satisfy yourself whenever there is a doubt
- **PAN Verification:** As PAN is mandatory, verify its genuineness as per the Income Tax data and cross verify the PAN date as derived from the Income Tax PAN verification services/ official website.
- The Account Opening Process will be updated according to the specific regulations published by SEBI or Exchanges or Depositories from time to time.
- Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis by calling the client on phone at the given phone number, verifying by visiting personally, if considered necessary, at the address given in KYC and other details.
- All the clients shall require disclosing the details of designated bank account and designated demat account in the Account Opening Form. All the pay-in /pay-out of funds/ securities shall be routed through designated bank / demat account only.
- Check whether the client's identify matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/ regulatory agency worldwide.
- In case of clients other than an Individual or trust, viz., company, partnership firm or un incorporated association / body of individuals, shall be mandatory for such clients to disclose the beneficial ownership in them. Following information shall be obtained from such clients:

Shareholding pattern of the company to identify persons having more than 10% holding in the share capital

Profit sharing ratio of partners to identify having more than 10% share in profit

Any juridical person having more than 10% of the property or capital in an unincorporated association or body of individuals

In case the client is trust, the following information shall be obtained from such clients, List of the beneficiaries with 10% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

- Accounts should be opened only on receipt of mandatory information along with authentic supporting documents as per the guidelines. Any reluctance by the client to provide information should be a sufficient reason to reject the client.

- Check if client is having multiple accounts.
- Account Opening Form (AOF) shall be strictly as prescribed by Securities & Exchange Board of India (SEBI), Depositories and Exchanges.
- For scrutiny / background check of the clients, websites such as www.watchoutinvestors.com or similar may be referred. Also, Prosecution Database / List of Vanishing Companies available on www.sebi.gov.in and United Nations Security Council resolution [UNSCR] and www.fatf-gafi.org should be checked.
- Keep watch on the well-come kits or other documents / letters received back undelivered at the address given by the client. Concerned in charge of Branch /Associate should be alerted, client be contacted immediately on telephone and the trading, if suspected, should be suspended.
- Authenticity and credibility of mass affluent clients should be verified by conducting onsite visit and/or personal interactions that can be recorded or stored securely.
- The Registration team shall not open account if unable to verify the identity of the clients based on the documents provided. Such cases be reported immediately to Compliance Officer and Principal Officer.
- Review the above details ongoing basis to ensure that the transactions being conducted are consistent with our knowledge of customers, its business and risk profile, taking into account.
- Voice recording of the client to be done, on a need basis, to determine the authenticity of the client in case any of the above parameters of the client onboarding process do not give a satisfactory input about the client.

Role of Relationship Manager / Dealer / Accounts Team

- Ensure that there is no cash / currency receipt/payment to the client.
- Ensure that there are no third-party receipt into / payment from the client account.
- Ensure that there are no unusual activities by the Client. Few of such unusual activities are:
 - Buying and selling of securities that does not make economic sense
 - Transaction indicative of insider trading and / or market manipulation, for e.g. Timely trading, trading outside normal patterns and the use of leverage or margin to increase purchasing power
- Guard against “wilful blindness” and “tipping off” offence
 - Wilful blindness happens when the staff is very interested in the client’s business and cons himself/herself into believing any superficial response to questions by the Client

The tipping off offence happens when the staff tips off the client to an existing/a possible internal investigation on the client's account. This can potentially also be committed by sharing details of our due diligence process/documents

- Flag for scrutiny / re-profiling should be raised if there is a change in client's sources of wealth/funds or the ability to accumulate assets or any other significant changes in the client's background or

financial standing. Also, if the client engages in transactions which are inconsistent with their risk tolerance levels

- Ensure that any information relating to Money Laundering gathered during formal or informal conversation with clients is passed on to the Principal Officer through your Branch/Department Head

Record Keeping

To the record keeping provision, we should ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PML act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Byelaws and Circulars. Records to be maintained should be sufficient to permit reconstruction of individual transactions (including the amounts and type of currencies involved, if any) to provide, if necessary, evidence for prosecution of criminal behaviour. Should there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing financial profile of the suspect's account. To enable this reconstruction, Shriram Financial Services Private Limited would retain the following information for the accounts of their customers to maintain a satisfactory audit trail.

- a. The beneficial owner of the account;
- b. The volume of the funds flowing through the account; and for selected transactions. c. The origin of the funds;
- d. The form in which the funds were offered or withdrawn, e.g. cash, cheques, etc;
- e. The identity of the person undertaking the transaction.
- f. The destination of the funds;
- g. The form of instruction and authority.

Organization should ensure that all client and transaction records and information are made available on a timely basis to the competent investigating authorities.

Transactional records:

Transactional records are recorded and stored in back-office software's for different products in form of databases. Periodic backup of this database is taken and stored separately for the period as prescribed by SEBI and regulators.

Points to be noted:

- Strict procedures both to ensure that only relevant information is shared and to protect the security and confidentiality of this information, including segregating it from the firm's other books and records.
- All the records and registers are maintained in accordance with the SEBI Act, 1992 and various Regulations applicable to different business divisions for a period of 5 years. The Client KYC

documents and transaction records to be maintained as prescribed under PML Act and the current prescribed period is 5 years from the date of cessation of client relationship.

- One senior officer under the guidance of Designated Officer will oversee the activities related to record maintenance
- Account opening forms are properly filed date wise and all the files are kept in the safe storage for the purpose of easy retrieval
- Designated Officer reports the status of record maintenance on a periodic basis
- No records are given to any third party without the approval of Principal Officer or Compliance Officer

Client of Special Category (CSC)

CSC Clients include:

- Non-resident clients (NRI),
- Ultra-High Net worth clients (UHNI) holding value of securities above Rupees Five crore in their DP account with Shriram Financial Services Private Limited or declared annual Income of more than Rs 1 crore or Net-worth more than Rs 5 crore.
- Trust, Charities, NGOs and organizations receiving donations.,
- Companies having close family shareholdings or Beneficial Ownership,
- Politically Exposed Persons (PEP) of Foreign Origin, Current /Former Head of State, Current or Former Senior High-profile politicians and connected persons (family members/or close relatives/associates, and companies in which such individuals have interest or significant influence)
- Companies offering foreign exchange, etc.) or
- Clients from high-risk countries (as per guidelines by FATA like Libya, Pakistan, Afghanistan, etc.)
- Clients belonging to countries where corruption/fraud level is high, Clients with dubious reputation as per public information available etc.;
- Non face to face clients means clients who open accounts without visiting the branch/offices of the registered intermediaries or meeting the officials of the registered intermediaries.
- Assisted Online Account opening wherein the Authorised person of Intermediary is involved for client enrolment and the Video based customer identification process are treated as face-to-face onboarding of clients

The parameters of clients' classification into Clients of Special Category (as given below) may be classified as medium/ high risk and additional due diligence and periodic update of KYC profile should be performed.

Clients be sub-divided into High, Medium and Low risk categories:

S.No	Category	Description	Risk Category
1	Trust*, NRI, FPI, FI (Ind /NonInd)	Irrespective of Segment Selected. Medium classification basis Trusts constitution, registration & beneficiaries (like employee benefit Trust or similar)	High/Medium
2	Non-Ind	All Resident Non-Individuals with/without Derivatives. Partnerships irrespective of Type, closely held unlisted body corporate, multiple layered corp. entities leading to difficulty in recognition of Ben. ownership and similar as High	Medium/High
3	Ind	PEP & RPEP	High
4	Ind	Resident Individuals with Derivatives (irrespective of client Occupation)	Medium
5	Ind	Resident Individuals without derivatives (irrespective of client Occupation)	Low

1	CSC	Non-resident clients (NRI)	CSC & High
2	CSC	Ultra-High Net worth clients (UHNI) holding value of shares above five crore.	CSC & High
3	CSC	Trust, Charities, NGOs and organizations receiving donations.,	CSC & High/Medium
4	CSC	Companies having close family shareholdings or Beneficial Ownership, Unlisted and/or Pvt. Ltd. companies and Partnership firms	CSC & High
5	CSC	Politically Exposed Persons (PEP) / RPEP	CSC & High
6	CSC	Companies offering foreign exchange, etc	CSC & High
7	CSC	clients from high-risk countries &/or in FATF list (like Libya, Pakistan, Afghanistan, etc)	CSC & High
8	CSC	Clients belonging to countries where corruption/fraud level is high	CSC & High

9	CSC	Clients with dubious reputation as per public information available etc.	CSC & High
10	CSC	Non face to face clients (as defined above in CSC client type)	CSC & Medium/High

* Registered Trusts created for the purpose of employee benefits and regulated appropriately by the authorized Govt. departments may be considered in medium risk category (instead of prescribed High-Risk category) on account of the purpose of such trust, regular regulatory oversight and defined investment patterns for the deployment of financial assets of the said Trust. Any similar Registered Trust where there is sufficient proof of regulatory oversight and stringent compliance with allowable avenues for investment of surplus funds may also be considered in Medium Risk category by

appropriate approval from Compliance/Principal officer and/ or Designated Director appointed for PMLA compliance.

Note: The above-mentioned risk categories are to be assigned at the start of client relationship basis documentary proof & /or RM/Associate recommendations. However, change of client risk category to higher is permitted within client type at the time of event based and/or periodic review of client accounts. change of client risk category to lower Risk is permitted only with approval of Designated Director and Principal Officer.

CLIENT DUE DILIGENCE MEASURES

Client Information & Identity:

Generally Institutional clients are recognizing at global level. We need to verify client's identity and origin using services of internet services (Bloomberg, Reuters, Google search or similar), independent source documents, data or information, Where the client purports to act on behalf of juridical person or individual or trust, the registered intermediary shall verify that any person purporting to act on behalf of such client is so authorized and verify the identity of that person. After verifying information, registration form along with other supporting documents should be approved by Authorised Official designated for verification.

Beneficial Ownership and control:

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. After completing registration process, client account should be verified by independent employee to check the actual beneficial ownership and control of the particular account. We need to obtain the details with respect to Shareholders, Promoters from the client and it has to be verified independently. In this process we should find out who is authorized to operate the client's account and who is ultimately controlling the account. Also verify the sources of funds for funding the transaction. We also have to take care at the time of settlement regarding nature of transaction, movement / source of transaction, etc. Periodically ask for client's financial details to determine the genuineness of transaction. Periodically we need to conduct 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 need 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 Organization’s knowledge of the client, its business and risk profile, taking into account, where necessary, the customer's source of funds.

KYC Policy:

- Ascertain the category of clients before registration as Client. (i.e. Individual or Non-Individual like Body corporate, AOP, Partnership, Corporate, FII, Mutual Fund, PMS or other).
- Obtain all necessary documents for registration. (Photograph, Photo Identity, Proof of Address, copy of PAN, etc.). Documents should be verified with original and same to be counter signed by Authorized representative of the organization.
- Obtain copy of Bank Statement for ascertaining the mode of payment of transaction.
- Registration of clients may be done on physical presence of the prospective client as well as thorough online account opening process.
- Obtain antecedent details of the prospective client.
- Ensure that new registration is to be made in clients name only.
- Ensure that account should not open in fictitious or benami name.
- Client's occupation, sources of income
- Determine the parameter to categories of client as per risk
- Obtain Income /Networth proof as prescribed by SEBI/Central Government/PML regulation from time to time wherever applicable.
- Ensure that all details of KYC form should be complete in all respect Incomplete KYC should not accept by organization.
- Organization should not register client in case any kind of doubt has been raised by client (i.e. unable to submit required form/proof, any suspicious behaviour noticed at the time of registration, etc.)
- Account should not open where organization cannot apply Customer Due Diligence / KYC policies.

Ongoing Due Diligence and Scrutiny:

The client's account should be scrutinized regularly for determining nature of transaction taken place and alerts generated as per the prescribed alert indicators. In case of any suspicious transaction, do complete scrutiny and analysis of transactions and decide on further action including reporting to FIU.

Verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship, as the case may be, when there are suspicions of money laundering or financing of the activities relating to terrorism or where there are doubts about the adequacy or veracity of previously obtained client identification data.

Periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

Audit Trail:

To enable any competent investigating authorities to trace through the chain of events, the following information for the accounts of customers is required to be maintained:

- The beneficial owner of the account;
- Inflow/outflow of funds routed through the account / and for the selected transactions:
- The form in which the funds were offered or withdrawn, e.g. cash (not accepted by us) , cheques, bank drafts / pay order etc.
- The identity of the person undertaking the transaction
- The form of instruction and authority
- The identity of official who made in-person verification
- The identity of official who verified copies documents obtained from client with originals
- Financial statements to be obtained in case of Non Individuals such as Corporates, Firms, AOP, Society, HUF etc., as prescribed by SEBI, Exchanges, Depositories and Central Government under PML Act..

Relying on Third Party for CDD

Shriram Financial Services Private Limited would rely on the data uploaded on the portals of CVL, NDML, DOTEX, KARVY CAMS, BSE KRA, CKYCR and any other registered KYC Registration Agencies for the purpose of:

- Identification and verification of the identity of a client
- 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.

However, Shriram Financial Services Private Limited would not completely rely on the KRAs for the client due diligence and the KYC department would seek fresh and additional documents in cases finds

any suspicion or in cases where there is a noticeable change in the KYC details provided by the client at the time of registration.

RISK MANAGMENT

RISK BASED APPROCH

Shriram Financial Services Private Limited Follows Risk Based Approach (RBA) for mitigation and management of the identified risk. Policies are approved by senior management, controls and procedures in this regard.

Clients may be of higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. Shriram Financial Services Private Limited shall apply each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that an enhanced client due diligence process for higher risk categories of clients is followed. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents required for due diligence shall obtain necessarily depend on the risk category of a particular client.

Risk Assessment

Further, low risk provisions shall not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk.

Shriram Financial Services Private Limited carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc.

The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied.

The risk assessment also takes into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions.

Shriram Financial Services Private Limited applies client due diligence measures also to existing clients on the basis of materiality and risk and conduct due diligence on such existing relationships appropriately. The extent of monitoring shall be aligned with the risk category of the client.

ROLE OF RISK MANAGEMENT (RMS) TEAM & AML/SURVEILLANCE CORE GROUP -

RMS gives exposure to clients based on collateral margin placed by the client in our Favor and any credit available against current or previous sale transaction for which credit is/will be in the client's ledger as credit balance. RMS in co-ordination with the AML & Surveillance Core Group and Principal Officer would periodically validate such exposures with the risk category and financial details provided by the client in KYC form and/or updated periodically at least on an annual basis or during analysis of any specific client transaction basis the surveillance alert generated. Where there is a trading activity of the client, which is not commensurate with the demographics/financial details declared by the client, it should be analysed and referred to the Principal Officer with reasons of suspicion if any.

MONITORING OF TRANSACTIONS (SAMPLE ALERT INDICATORS FROM THE INTERNAL & EXTERNAL SURVEILLANCE POLICY)

- Scrutinize unusually large transactions like, clients having traded in scrips/shares of a company for a quantity of more than the thresholds set as per the Surveillance/AML alert indicator and/or compared to the exchange traded volume.
- Check trade log for indication of negotiated trades (if any).
- Possibility of synchronized Order placement.
- Check for any relation of the client with the investment company / directors /promoters.
- Check previous trading pattern of the client in a particular scrip.
- Scrutinize bulk deal transactions by sample check. A 'bulk' deal constitutes transaction in a scrip (on Exchange) where total quantity of shares bought/sold is more than 0.5% of the number of outstanding equity shares of the company listed on the Exchange
- Select randomly a few clients, pick up some of their high value transactions and scrutinize to check whether they are of suspicious nature or not.
- If there is a substantial increase in turnover in a reactivated dormant account then it, should be brought into the notice of the Branch Manager. Review balances and trading in the dormant accounts. Be vigilant on the movement of credit balances from that reactivated dormant account.
- Analysis be carried out to identify clients with huge and regular losses and who are still placing trades/orders. Investigate the capability of client for sourcing of funds in such cases.
- Suspicious transactions to include 'transactions integrally connected' as well as 'transactions remotely connected or related' whether made with a person acting in good faith.

DORMANT ACCOUNTS

Exchanges has issued guidelines for marking client as inactive (dormant) via circular Download Ref No: NSE/INSP/43488 dated February 10, 2020. Accordingly following is the policy of inactive (Dormant) in W2W.

In case of demat account with W2W the client account is considered as dormant if there are no transactions carried in the Demat account for more than 6 months and any transactions done after lapse of 6 months are to be confirmed thru an intimation to client's registered address seeking revert in case the same is not genuinely carried out by them. The team would also rely on the inputs received from clients trading activity with Shriram Financial Services Private Limited (as stockbroker) basis the status of the client account as per the prescribed advisory for Inactive/dormant account treatment.

Dormant (Inactive) Trading Client Account:

A Trading account, irrespective whether having debit or credit balance shall be treated as dormant account and will be deactivated, if there are no trade transactions done by the customer across all the exchanges /segments for a period of 12 months.

Activation of dormant account:

- **Within 12 months being marked as inactive:** After any account has been classified as dormant account, it can be re-activated per client written / Email request from his registered mail id subject to KRA & CERSAI compliance. Such request can be accepted only if the client is requesting within 1 year after being marked as dormant.
- **After 12 months being marked as inactive or 2 years after the last trade trading date by client:** we are required to undertake fresh documentation, due diligence and IPV where a client is coming for reactivation after a period of 1 year of being flagged as inactive (Dormant) i.e. after 2 years from their last trading date.

Any new requests for orders to trade should be accepted from such clients only on receipt of specific request from the client for reactivation of client account to trade along with completion of all required formalities of KYC, if necessary.

MONITORING OF PROPRIETARY TRANSACTIONS OF ASSOCIATES & CLIENTS

- For scrutiny / background check of the Associates (Authorized Persons, Channel Partners) websites such as www.watchoutinvestors.com should be referred. Also, verify Prosecution Database /List of Vanishing Companies available on www.sebi.gov.in / www.RBI.gov.in

- Check for high volume in proprietary account of Authorised Person/channel partner and his/her relations.
- Scrutinize Demat account of Authorised Person/ channel partner (if DP account is with W2W)
- List all off market inward/outward transaction and seek explanations from concerned Associates separately.
- Need to cover the off-market transaction inward/outward in Demat accounts with respect to unlisted and private ltd, companies along with the transaction value and reason code provided by the Clients and Associates in the Off market DIS slip and annexure as applicable.
- Check for third party funds (cheques and electronic fund received from bank accounts other than mapped bank accounts and demand drafts / pay orders with requisite proof of origination from own declared and mapped bank account) and promptly return the same if details are not provided for such account being the clients own additional account. Any repeat occurrences of such third-party credits being rejected and returned shall be monitored and investigated for being satisfied of no suspicious nature in the conduct by the client.

HIRING POLICIES

Role of Human Resource Department

- The Human Resource Department and other Department Heads involved in hiring new employees has adequate screening procedure in place to ensure high standards in hiring new employees.
- Bonafide's of employees are to be checked to ensure that the employees do not have any link with terrorist or other anti-social organizations.
- Not only "Know Your Customer" (KYC) documentations but also "Know Your Employee" documents should be in place.

Role of Regional Heads / Regional Managers / Branch Managers

- Being in the field, they have market intelligence about potential mischief-makers, which should be brought to the notice of CPC, Legal and RMS.

Role of Compliance and Internal Audit Department

- KYC forms and other documents drafted for each product should invariably have undertaking from the client that he is not indulging in or has not been associated with any money-laundering activity or terrorist activity and that he has not been convicted of any fraud/offence/crime by any regulatory/statutory/local/state/ authority existing in the country.
- All disclosure documents should have notice clause informing the client about company's right to obtain and disclose any information about the client to the competent authority as may be required.
- Briefings to new employees at induction programs and rounds of small meetings and presentations at branch locations

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 electronic fund transfer modes provided by banking channels and/or payment mode approved by RBI, "Account Payee" crossed cheques drawn on the clients registered /mapped bank account/(s) in Favor of the respective Company. The same is also required as per SEBI circulars no. SMD/ED/IR/3/23321datedNovember 18, 1993 and SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003, in respect of broking operations.

In case an Account Payee cheque or electronic fund transfer has been received from a bank account other than that captured in records, the same may be accepted after ascertaining that the client is the actual/beneficial owner of the account after obtaining such other information as may be considered appropriate. Relevant copies of the supporting documents should be sent to HO and details of such accounts should be captured in the Client Master records.

Only in exceptional cases, bank draft/pay-order may be accepted from the client provided identity of remitter/purchaser written on the draft/pay-order matches with that of client else obtain a certificate from the issuing bank to verify the same.

For DP clients, in exceptional cases cash may be accepted for settlement of DP bills, stamp duty payments etc. within permissible income tax limits and with approval of DP department heads/ Chief Financial Officer/ Director.

All cash transactions, if any are required to be reported on monthly basis to, Compliance & Principal Officer, by each branch/ Channel Partner / Authorised Person promptly and in any case not later than by 5th of the following month.

SUSPICIOUS TRANSACTIONS

All are requested to analyse and furnish details of suspicious transactions, whether made in cash or otherwise. It should be ensured that there is no undue delay in analysis and arriving at a conclusion.

What is a Suspicious Transaction?

Suspicious transaction means a transaction whether made in cash or not, which to a person acting in good faith-

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

Reasons for Suspicion

- 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

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

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 or any other important communication sent & returned undelivered at the registered address given by the client

- Suspicious Background

Suspicious background or links with criminals

- Multiple Accounts

Large number of accounts having a common parameter such as common partners / directors / promoters / address/ email address / telephone /mobile numbers introducer or authorized signatory

Unexplained transfers between such multiple accounts.

- Activity In Accounts

Unusual activity compared to past transactions

Use of different accounts by client alternatively

Sudden activity in reactivated dormant account

Activity inconsistent with what would be expected from declared business/ income details

Substantial increases in business without apparent cause

Account used for circular trading if identified and/or alert received from stock exchange / depository or any such regulator/ Govt agencies etc.,

- Nature of Transactions: whether attempted or executed

Unusual or unjustified complexity

No economic rationale or / non Bonafide purpose

Source of funds are doubtful basis the declared income /business /occupation

Appears /suspected to be case of insider trading

Purchases made on own account transferred to a third party through an off-market transaction through DP account

Transactions reflect likely market manipulations

Placing orders at price not commensurate with underlying price of scrip on exchanges

Usual trading / placing of orders not commensurate with price of scrip, in case of re-listing of suspended securities / new issues/ corporate actions, etc

Suspicious off market transactions including that of unlisted /private ltd. company securities.

- 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

REPORTING

What to report?

- The nature of the transaction
- 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.
- All transactions carried through or attempted in the accounts covered under the list of designated individuals/entities under Section 35 (1) and 51A of UAPA.

When to report?

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

Report	Description	Due Date
CTR	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	15th day of the succeeding month (though not applicable for us on account of non-receipt of cash for trading transactions and within permissible limits of income tax act for DP operations in unavoidable circumstances)
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* (though not applicable for us on account of non-receipt of cash for trading transactions and within permissible limits of income tax act for DP operations in unavoidable circumstances)
STR	All suspicious transactions whether or not made in cash	Not later than seven working days on being satisfied that the transaction is suspicious*

* Modified by Notification No 4/2007 dated 24.05.07

In view of the same, Branches/Departments/Authorised Person / Channel Partners are requested to report the Cash transactions, on monthly basis, to the Compliance Officer by the 5th day of the following month and also suspicious transactions to the Compliance Officer within 3 working days of establishment of such transaction to enable the Compliance Officer to co-ordinate with the Principal Officer to analyse and ascertain requirement for report the same to the Director, Financial Intelligence Unit-India (FIU-IND) within the stipulated time.

However, it should be ensured that there is continuity in dealing with the client as normal until told otherwise and the client should not be told of the report/suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken.

EDUCATION & TRAINING

The success of implementation of the policy is highly depended on the employees and their job profile which have linked directly or indirectly to money laundering activities. Hiring is done according to the SEBI PMLA guidelines & other applicable laws after doing internal due diligence & identification process. Shriram Financial Services Private Limited has decided to develop an ongoing employee training under the leadership of the AML Compliance Officer and senior management.

The training includes:

- a) how to identify red flags and signs of money laundering that arise during the course of the employees' duties;
- b) what to do once the risk is identified
- c) what employees' roles are in the firm's compliance efforts and how to perform them

In this regard, Shriram Financial Services Private Limited undertakes:

- 1. Distribution of educational booklet/presentation
- 2. intranet systems
- 3. in-person/Video Conference/Webinar session
- 4. Explanatory memos.

Additionally undertakes:

- 1. Shriram Financial Services Private Limited will maintain records to show the persons trained
- 2. Shriram Financial Services Private Limited will review operations to see if certain employees, such as those in compliance, Risk Management, Surveillance, client onboarding & registration and corporate finance, require specialized additional training.
- 3. Our written procedures will be updated to reflect any such changes.
- 4. All the transactions of employees are monitored, and actions are taken, wherever necessary.

Employees

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

- This internal policy and procedure on “The Prevention of Money Laundering Act, 2002” should be brought to the notice of all employees by HRD through the Company’s intranet/email circulations.
- All Authorised Persons (AP), associates and Channel Partners shall be intimated by the Franchisee/AP Service Team and Supervising Regional Hub/Satellite Hub/Branch and updated on the applicable provisions of “The Prevention of Money Laundering Act, 2002” and the reporting mechanism by way of a circular.

HRD in co-ordination with Compliance and Internal Audit teams shall formulate program for Staff Training and implementing specific procedures for customer identification and retaining internal records of transactions.

- The Policy should be placed before the Board or its Committees and if any changes in the policy are warranted, the revised policy should be placed before the Board or its Committees and, review of the same will be done periodically at least, annually. Further, the review of the PMLA Policy by any official other than the official who originally drafted the policy will be done on regular basis.

Investors

Implementation of AML/CFT measures requires intermediaries to demand certain information from investors which may be of personal nature or has hitherto never been called for. Such information can include documents evidencing source of funds/income tax returns/bank records etc. This can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information. There is, therefore, a need for intermediaries to sensitize their clients about these requirements as the ones emanating from AML and CFT framework. Intermediaries shall prepare specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT program.

Shriram Financial Services Private Limited takes initiatives to educate clients / investors about the importance & impact of Anti

Money Laundering Guidelines. Initiatives may include "sending informative notes, important Circulars, Pamphlets etc. to clients", "displaying PMLA policy/notes on Shriram Financial Services Private Limited website" etc."

GUIDELINES ON IDENTIFICATION OF BENEFICIAL OWNERSHIP

For clients other than individuals or trusts:

Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

- a. The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

Explanation: Controlling ownership interest means ownership of/entitlement to:

- I. more than 10% of shares or capital or profits of the juridical person, where the juridical person is a company.
 - II. more than 10% of the capital or profits of the juridical person, where the juridical person is a partnership; or
 - III. more than 10% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.
- b. In cases where there exists doubt under clause 4 (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

- c. Where no natural person is identified under clauses 4 (a) or 4 (b) above, the identity of the relevant natural person who holds the position of senior managing official.

For client which is a Trust:

Where the client is a trust, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler/Author of the trust, the trustee, the protector, the beneficiaries with 10% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership. Further trustees must disclose their status at the time of opening of an account-based relationship.

Exemption in case of listed companies:

Where the client or the owner of the controlling interest is a company listed on a stock exchange or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

Applicability for foreign investors:

Clients under the categories - Foreign Portfolio Investors and erstwhile Foreign Institutional Investors,

Sub Accounts and Qualified Foreign Investors, may be guided by SEBI Master Circular SEBI/HO/AFD2/CIR/P/2022/175 dated December 19,2022 and amendments thereto, if any, for the purpose of identification of beneficial ownership of the client;

Reporting of Suspicious Transactions to FIU – IND through Surveillance /Compliance Department

All Branch Heads/ Department Heads/ Sub-brokers / Channel Partners are required to report suspicious transactions to the Compliance Officer through Head – Operations

- The Compliance /Surveillance department to compile all suspicious transactions
- The Principal Officer to report all such transactions to FIU-IND

MISCELLANEOUS

- 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 dressed 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.
- To freeze the funds, financial assets of the constituent upon the instructions from relevant authorities to do so.

DESIGNATED DIRECTOR

Pursuant to Prevention of Money Laundering Act 2002, we have appointed “Designated Director” who be responsible under said act.

Mr. Amit Golia, Designated Director

Shriram Financial Services Private Limited Brokers Private Limited
Rukmini Tower, 3rd & 4th Floor, #3/1, Platform Road,
Sheshadripuram, Bangalore – 560020
Email: amit.golia@shriram.com

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PRINCIPAL OFFICER

In case any further information /clarification is required in this regard, the 'Principal Officer' may be contacted.

Mr. Suhas Hebbar, Principal Officer

Shriram Financial Services Private Limited Brokers Private Limited

Rukmini Tower, 3rd & 4th Floor, #3/1, Platform Road,

Sheshadripuram, Bangalore – 560020

Email: support@shriramfs.com

Place: Bengaluru

Date: 10-Nov-2023

Version: Nov-2023

The revised PMLA policy is approved by board on: **10-Nov-2023**