



RAVECHI
securities

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EXTRACTS FORM POLICY

ON

ANTI MONEY LAUNDERING AND TERRORIST FINANCING

FOR

CREATION OF CLIENT AWARENESS

Introduction

The Guidelines as outlined below provides a general background on the subjects of money laundering and terrorist financing summarizes the main provisions of the applicable anti-money laundering and anti-terrorist financing legislation in India and provides guidance on the practical implications of the Act. The Guidelines also sets out the steps that a registered intermediary and any of its representatives, should implement to discourage and identify any money laundering or terrorist financing activities. The relevance and usefulness of these Guidelines will be kept under review and it may be necessary to issue amendments from time to time.

These Guidelines are intended for use primarily by intermediaries registered under Section 12 of the SEBI Act, 1992. While it is recognized that a "one-size-fits-all" approach may not be appropriate for the securities industry in India, each registered intermediary should consider the specific nature of its business, organizational structure, type of customers and transactions, etc. when implementing the suggested measures and procedures to ensure that they are effectively applied. The overriding principle is 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. (PMLA)

Back Ground:

The Prevention of Money Laundering Act, 2002 has come into effect from 1st July 2005. Necessary Notifications / Rules under the said Act have been Published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance, Government of India.

As per the provisions of the Act, every banking company, financial institution (Which includes chit Fund Company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992) shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Such transactions include:

- All cash transactions of the value of more than Rs 10 lacs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued below Rs 10 lacs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
- All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as demat account, security account maintained by the registered intermediary.

It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' should also be considered.

1. What is Money Laundering?

- 1.1. Money laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/origins.
- 1.2. This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

2. Prevention of Money Laundering Act, 2002

- 2.1. Prevention of Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July 1, 2005.
- 2.2. The PMLA 2002 and rules notified there under impose an obligation on intermediaries (including stock brokers and sub-brokers to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU) – INDIA.

3. Financial Intelligence Unit (FIU) – INDIA

- 3.1. The Government of India set up Financial Intelligence Unit - India (FIU-IND) on November 18, 2004 as independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.
- 3.2. FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

4. Policy of Ravechi securities

4.1 Ravechi Securities has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame-work to report cash and suspicious transactions to FIU as per the guidelines of PMLA rules, 2002

5. Implementation of this policy

5.1 Mr . Mahendra Ramji Gala (Proprietor of Ravechi Securities) will be the principal officer who will be responsible for

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

5.2 The main aspect of this policy is the Customer Due Diligence process which means:

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

5.3 The Customer due Diligence Process includes three specific parameters:

- Policy for acceptance of clients
- Clients identification procedure
- Suspicious transactions identification & reporting

6. Customer Acceptance Policy

6.1.

- **Each client should be met in person:** Accept client whom we are able to meet personally. Either the client should visit the office/ branch or concerned official may visit the client at his residence /office address to get necessary documents filled in and signed. Preferably accept clients who live within the jurisdiction of the branch. As far as possible ensure that the new client is introduced by an existing client.
- **Accept client on whom we are able to apply appropriate KYC procedures:** Obtain complete information from the client. It should be ensured that the initial forms taken by the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. Ensure that the ' Know Your Client' guidelines are followed without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and exchanges are obtained and verified.
- **Do not accept clients with identity matching persons known to have criminal background :** Check whether the clients identity matches with any person having known criminal background or is not banned in any manner whether in terms of criminal or civil proceedings by any enforcement/ regulatory agency worldwide.
- **Be careful while accepting Clients of Special Category :** We should be careful while accepting clients of special category like NRIs, HNIs ,Trust, Charities, NGOs Politically exposed persons (PEP) ,persons of foreign origin, companies having closed share holding /ownership, companies dealing in foreign currency, shell companies ,overseas entities ,clients in high risk countries, non face to face clients, clients with dubious background ,current/ former head of state, current /former senior high profile politician, companies offering foreign exchange etc or the clients from high risk countries)like Libya, Pakistan ,Afghanistan etc or the clients belonging to countries where corruption /fraud level is high (like Nigeria ,Burma etc. Scrutinize minutely the record /documents pertaining to the clients belonging to aforesaid categories.
- **Do not accept clients registration forms which are suspended to be fictitious:** Ensure that no account is being open in fictitious/ benami name or on an anonymous basis.
- **Do not compromise on submission of mandatory information/ documents:** Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Do not open the accounts where the

client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.

6.2. Customer identification Procedure (FOR NEW CLIENTS)

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

6.2.1. Documents which can be relied upon:

- **PAN CARD:** PAN card is mandatory and is most reliable document as only one card is issued to an individual and we can independently check its genuineness through IT website.
- **IDENTITY PROOF:** PAN card itself can serve as proof of identity. However, in case Pan card carries an old photograph of the holder, which does not match current facial features of the client, we should take other identity proof in form of voter's identity card, passport, ration card or any government/PSU/bank issued photo identity card.
- **Address proof:** For valid address proof we can rely on voters identify card, passport, bank statement, ration card and latest electricity/telephone bill in the name of the client.

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

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

- As PAN is mandatory, verify its genuineness with IT website and cross verify the PAN card copy with the original.(Please put" verified with original" stamp as proof of verification)
- Other proofs for identity are voter's identity card, passport, ration card or any government/PSU/bank issued photo identity card or any other document prescribed by the regulatory authorities.
- Address proof in the form of voter's identity card, passport, bank statement, ration card and latest electricity/telephone bill in the name of the client or any other document prescribed by the regulatory authorities.

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

- copy of the registration/incorporation certificate
- copy of the Memorandum & Articles of the Association
- copy of the PAN card and the Director index no.(DIN)
- copy of the latest audited Annual statements of the corporate client
- latest net worth certificate
- Latest income tax return filed.
- Board resolution for appointment of the authorized person who will operate the account
- Proof of address and identity of authorized person

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

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

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

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

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

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

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

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

7. Risk profiling of the client

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

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

- category A- Low risk
- category B- Medium risk
- category C- High risk

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

7.2.2. Category B clients are those who are intra-day clients or speculative clients. These are the clients who maintain running account with Ravechi Securities.

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

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

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

7.5. Any change in the risk profile of the client/mandate holder, to be ascertained by the concerned branch officials, and reported to the business head immediately.

8. Suspicious transactions

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

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

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



Reasons for suspicious:

Identity of client

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

Suspicious background

Suspicious background or links with criminals

Multiple accounts

- Large number of accounts having a common parameters such as common partners/directors /promoters/address/email address/telephone numbers introducer or authorized signatory
- 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 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 bonafied purpose
Source of funds are doubtful
- Appears to be case of insider trading
- Transactions reflect likely market manipulation
- Suspicious off market transaction

8.2 What to report

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

9. Designated Principal Officer

In case any further information / clarification is required in this regard, the principal officer may be contacted.

Mr.Mahendra Ramji Gala
Proprietor

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