



Policy for Prevention of Money Laundering

Customer Due Diligence

The customer due diligence (“CDD”) measures comprise the following:

- (a) Obtaining sufficient 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) Verify the customer’s identity using reliable, independent source documents, data or information;
- (c) 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) 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) 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 knowledge of the customer, its business and risk profile, taking into account, where necessary, the customer’s source of funds.



Policy for acceptance of clients

The following safeguards are to be followed while accepting the clients:

- a) No account is opened in a fictitious / benami name or on an anonymous basis.
- b) Clients transactions are to be monitored 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 clients are to be classified 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 their KYC profile is to be regularly updated
- c) Documentation requirement and other information is 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) To ensure that an account is not opened where we are 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 us is suspected to be non genuine, perceived non co-operation of the client in providing full and complete information. We will not continue to do business with such a person and file a suspicious activity report. It should also be evaluated whether there is suspicious trading in determining whether to freeze or close the account. We have to be cautious to ensure that we do not return securities of money that may be from suspicious trades. However, the relevant authorities should be consulted in determining what action it should take when we suspect suspicious trading.



Singhal Capital Services Limited

Regd office: G-5, 4353 Madan Mohan Street, 4C Ansari Road, Darya Ganj, New Delhi-100002

- e) Only in specific circumstances, i.e after receiving duly notarised General power of attorney on the stamp paper, the client will be permitted to act on behalf of another person / entity. The manner in which the account should be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity / value and other appropriate details shall be decided on a case to case basis and mentioned in Power of Attorney before hand. Further the rights and responsibilities of both the persons (i.e the agent-client registered, as well as the person on whose behalf the agent is acting should be clearly specified. Adequate verification of a person's authority to act on behalf the customer should also be carried out.

- f) Necessary checks and balance 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 having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide.

Risk Based Approach

It is generally recognized that certain customers may be of a higher or lower risk category depending on circumstances such as the customer's background, type of business relationship or transaction etc. As such, we should apply each of the customer 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 should be obtained necessarily depend on the risk category of a particular customer.

Clients of special category



Singhal Capital Services Limited

Regd office: G-5, 4353 Madan Mohan Street, 4C Ansari Road, Darya Ganj, New Delhi-100002

Such clients include the following-

- a. Non resident clients
- b. High networth clients,
- c. Trust, Charities, NGOs and organizations receiving donations
- d. Companies having close family shareholdings or beneficial ownership
- e. Politically exposed persons (PEP) of foreign origin
- f. 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)
- g. Companies offering foreign exchange offerings
- h. 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.
- i. Non face to face clients
- j. Clients with dubious reputation as per public information available etc.

Client identification procedure

We will have following policy in respect of 'Know your Client' (KYC)

- a) Before registering a client KYC form, as specified by NSE from time to time, has to be obtained from the applicant/client. All documents like photograph, PAN card copy, Cancelled cheque, Residence proof, Client Master of Demat A/c etc and the form itself should be signed and verified in original by our concerned staff .



Singhal Capital Services Limited

Regd office: G-5, 4353 Madan Mohan Street, 4C Ansari Road, Darya Ganj, New Delhi-100002

- b) Similarly for non-individual clients all additional documents such as Memorandum and Articles of Association, Board Resolution, List of Directors should be obtained.
- c) Further all forms should be regularly updated and the changes have to be intimated to NSE through UCI
- d) Necessary procedures to determine whether our existing/potential customer is a politically exposed person (PEP) are to be followed. Such procedures would include seeking additional information from clients, accessing publicly available information etc.
- e) Senior management approval for establishing business relationships with Politically Exposed Persons is to be obtained. Where a customer has been accepted and the customer or beneficial owner is subsequently found to be, or subsequently becomes a PEP, senior management approval to continue the business relationship is to be obtained.
- f) We shall take reasonable measures to verify source of funds of clients identified as PEP by ensuring that the payment is not received from different a/cs everytime and asking for a bank statement to check whether funds were immediately transferred from some other place/cash was deposited in clients a/c before the transaction.
- g) The client should be identified by using reliable sources including documents / information. We should obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- h) The information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed



Singhal Capital Services Limited

Regd office: G-5, 4353 Madan Mohan Street, 4C Ansari Road, Darya Ganj, New Delhi-100002

by us in compliance with the Guidelines. Each original documents should be seen prior to acceptance of a copy.

- i) Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the senior management.

- j) SEBI has prescribed the minimum requirements relating to KYC from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time, and based on our ongoing experience in dealing with our clients and legal requirements as per the established practices KYC guidelines may be reviewed periodically. Further continuous familiarity and follow-up has to be maintained where inconsistencies in the information provided is noticed. The underlying objective should be to follow the requirements enshrined in the PML Act, 2002 SEBI Act, 1992 and Regulations, directives and circulars issued thereunder so that we are aware of the clients on whose behalf we are dealing.
A copy of the client identification programme shall be forwarded to the Director, FIU- IND.

- k) It may be noted that while risk based approach may be adopted at the time of establishing business relationship with a client, no exemption from obtaining the minimum information/documents from clients as provided in the PMLA Rules is available in respect of any class of investors with regard to the verification of the records of the identity of clients.

Record Keeping

- a) 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 Bye-laws and Circulars is to be ensured.



Singhal Capital Services Limited

Regd office: G-5, 4353 Madan Mohan Street, 4C Ansari Road, Darya Ganj, New Delhi-100002

- b) Such records are to be maintained as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behavior.
- c) 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 a financial profile of the suspect account. To enable this reconstruction, We should retain the following information for the accounts of our customers in order to maintain a satisfactory audit trail:
- the beneficial owner of the account;
 - the volume of the funds flowing through the account; and

for selected transactions:

- the origin of the funds;
 - the form in which the funds were offered or withdrawn, e.g. cash, cheques, etc.;
 - the identity of the person undertaking the transaction;
 - the destination of the funds;
 - the form of instruction and authority.
- d) We should ensure that all customer and transaction records and information are available on a timely basis to the competent investigating authorities. Where appropriate, we can consider retaining certain records, e.g. customer identification, account files, and business correspondence, for periods which may exceed that required under the SEBI Act, Rules and Regulations framed there-under PMLA 2002, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.



Singhal Capital Services Limited

Regd office: G-5, 4353 Madan Mohan Street, 4C Ansari Road, Darya Ganj, New Delhi-100002

- e) More specifically, we have to maintain proper record of transactions prescribed under Rule 3, notified under the Prevention of Money Laundering Act (PMLA), 2002 as mentioned below:
- all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
 - all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
 - 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 and by way of as mentioned in the Rules.

Information to be maintained

We are required to maintain and preserve the following information in respect of transactions referred to in Rule 3 of PMLA Rules:

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

Retention of records

- a) Proper maintenance and preservation of such records and information id to be done in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3



Singhal Capital Services Limited

Regd office: G-5, 4353 Madan Mohan Street, 4C Ansari Road, Darya Ganj, New Delhi-100002

of PMLA Rules have to be maintained and preserved for a period of ten years from the date of cessation of the transactions with the client .

- b) We are required to formulate and implement the client identification program containing the requirements as laid down in Rule 9 and such other additional requirements considered appropriate. The records of the identity of clients have to be maintained and preserved for a period of ten years from the date of cessation of the transactions with the client.
- c) Thus the following document retention terms should be observed:
- All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period prescribed under the relevant Act (PMLA, 2002 as well SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars.
 - Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the same period.
- d) In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.

Monitoring of transactions

- a) Regular monitoring of transactions is vital for ensuring effectiveness of the Anti Money Laundering procedures. This is possible only if the normal activity of the client is understood so that deviant transactions / activities can be identified
- b) Special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose is to be paid. The intermediary may



Singhal Capital Services Limited

Regd office: G-5, 4353 Madan Mohan Street, 4C Ansari Road, Darya Ganj, New Delhi-100002

specify internal threshold limits for each class of client accounts and pay special attention to the transaction which exceeds these limits.

- c) A record of transaction is to be preserved and maintained in terms of section 12 of the PMLA 2002 and transaction of suspicious nature or any other transaction notified under section 12 of the act is to be reported to the appropriate law authority. Suspicious transactions should also be regularly reported to the head of the department.
- d) Further the compliance cell should randomly examine a selection of transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not.

Suspicious Transaction Monitoring & Reporting

- a) Appropriate steps to enable recognition of suspicious transactions as stated above and below are to be taken and appropriate procedures for reporting suspicious transactions is to be followed While determining suspicious transactions, definition of suspicious transaction contained in PML Rules as amended from time to time is to be kept in mind.
- b) A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:
 - Clients whose identity verification seems difficult or clients appears not to cooperate
 - Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;
 - Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
 - Substantial increases in business without apparent cause;



Singhal Capital Services Limited

Regd office: G-5, 4353 Madan Mohan Street, 4C Ansari Road, Darya Ganj, New Delhi-100002

- v) Unusually large cash deposits made by an individual or business;
 - Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
 - Transfer of investment proceeds to apparently unrelated third parties;
 - Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks /financial services, businesses reported to be in the nature of export-import of small items.
- c) Any suspicion transaction should be immediately notified to the Principal Officer. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. 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.
- d) It is likely that in some cases transactions are abandoned/aborted by customers on being asked to give some details or to provide documents. It is clarified that all such attempted transactions in STRs, even if not completed by customers, irrespective of the amount of the transaction are to be reported

Reporting to Financial Intelligence Unit-India

- a) In terms of the PMLA rules, information relating to cash and suspicious transactions is to be reported to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:
- Director, FIU-IND,
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat,
Chanakyapuri,



Singhal Capital Services Limited

Regd office: G-5, 4353 Madan Mohan Street, 4C Ansari Road, Darya Ganj, New Delhi-100002

New Delhi-110021.

Website: <http://fiuindia.gov.in/>

b) All the reporting requirements and formats are enclosed with this circular. These requirements and formats are divided into two parts- Manual Formats and Electronic Formats. Details of these formats are given in the documents ([Cash Transaction Report- version 1.0](#) and [Suspicious Transactions Report version 1.0](#)) which are also enclosed with this circular. These documents contain detailed guidelines on the compilation and manner/procedure of submission of the manual/electronic reports to FIU-IND. The related hardware and technical requirement for preparing reports in manual/electronic format, the related data files and data structures thereof are also detailed in these documents. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, Following are to be adhered to:

- The cash transaction report (CTR) (wherever applicable) for each month should be submitted to FIU-IND by 15th of the succeeding month.
- The Suspicious Transaction Report (STR) should be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion.
- The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND;
- Utmost confidentiality should be maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address.
- No nil reporting needs to be made to FIU-IND in case there are no cash/suspicious transactions to be reported.

c) No restrictions on operations in the accounts where an STR has been made is to be put. Directors, officers and employees (permanent and temporary) are



Singhal Capital Services Limited

Regd office: G-5, 4353 Madan Mohan Street, 4C Ansari Road, Darya Ganj, New Delhi-100002

prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND. Thus, it should be ensured that there is no tipping off to the client at any level.

Designation of an officer for reporting of suspicious transactions

To ensure that the legal obligations to report suspicious transactions to the authorities are properly discharged the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions. Names, designation and addresses (including e-mail addresses) of ‘Principal Officer’ including any changes therein shall also be intimated to the Office of the Director-FIU. ‘Principal Officer’ should be of a sufficiently higher position and is able to discharge his/her functions with independence and authority.

Employee’s Hiring/Employee’s Training/Investor Education

I. Hiring of Employees

Adequate screening procedures should be followed to ensure high standards when hiring employees. The key positions having regard to the risk of money laundering and terrorist financing and the size of their business should be identified and it should be ensured the employees taking up such key positions are suitable and competent to perform their duties.

II. Employees Training

An ongoing employee training programme has to be followed so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements should have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind these guidelines, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.



Singhal Capital Services Limited

Regd office: G-5, 4353 Madan Mohan Street, 4C Ansari Road, Darya Ganj, New Delhi-100002

III. Investors Education

Implementation of AML/CFT measures requires us to demand certain information from investors which may be of personal nature or which 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 customer with regard to the motive and purpose of collecting such information. There is, therefore, a need to sensitize their customers about these requirements as the ones emanating from AML and CFT framework. We can prepare specific literature/ pamphlets etc. so as to educate the customer of the objectives of the AML/CFT programme.

Annexure A

Key Circulars issued with regard to KYC/AML/CFT



Singhal Capital Services Limited

Regd office: G-5, 4353 Madan Mohan Street, 4C Ansari Road, Darya Ganj, New Delhi-100002

	Circular No.	Date of circular	Subject	Broad area covered
	MRD/DoP/Cir-05/2007	April 27, 2007	PAN to be the sole identification number for all transactions in the securities market	In order to strengthen KYC and identify every participant in the securities market with their respective PAN, so as to ensure sound audit trail, PAN made mandatory for participants transacting in the securities market.
	ISD/CIR/RR/AML/2/06	March 20, 2006	Prevention of Money Laundering Act, 2002- Obligations of intermediaries in terms of Rules notified there under	Procedure for maintaining and preserving records, reporting requirements and formats of reporting cash transactions and suspicious transactions
	ISD/CIR/RR/AML/1/06	January 18, 2006	Guidelines on Anti Money Laundering Standards	Framework for AML and CFT including policies and procedures, Customer Due Diligence



Singhal Capital Services Limited

Regd office: G-5, 4353 Madan Mohan Street, 4C Ansari Road, Darya Ganj, New Delhi-100002

				requirements, record keeping, retention, monitoring and reporting
	SEBI/MIRSD/DPS- 1/Cir-31/2004	August 26, 2004	Uniform Documentary Requirements for trading	Uniform KYC documentary requirements for trading on different segments and exchanges
	MRD/DoP/Dep/Cir- 29/2004	August 24, 2004	Proof of Identity (POI) and Proof of Address (POA) for opening a Beneficiary Owner (BO) Account for non-body corporate	Broadening the list of documents that may be accepted as Proof of Identity (POI) and/or Proof of Address (POA) for the purpose of opening a BO Account
	SEBI/MRD/SE/Cir- 33/2003/27/08	August 27, 2003	Mode of payment and delivery	Prohibition on acceptance/giving of cash by brokers and on third party transfer of securities
	SMD/POLICY/CIRCULA RS/5-97	April 11, 1997	Client Registration Form	Formats of client Registration Form and broker clients agreements



Singhal Capital Services Limited

Regd office: G-5, 4353 Madan Mohan Street, 4C Ansari Road, Darya Ganj, New Delhi-100002

	SMD-1/23341	Nov. 18, 1993	Regulation of transaction between clients and members	Mandatory requirement to obtain details of clients by brokers.
--	-------------	------------------	---	---

Annexure B

List of various reports and their formats

Cash Transaction Report Version 1.0 (Guidance Note)

1. Summary of cash transaction report for an intermediary
2. Cash Transaction Report for an Intermediary
3. Annexure A- Individual data sheet for an intermediary
4. Annexure B- Legal person/Entity detail sheet for an intermediary
5. Suspicious Transaction Report Version 1.0 (Guidance Note)
6. Suspicious Transaction Report for an intermediary
7. Annexure A- Individual Detail Sheet for an intermediary
8. Annexure B- Legal Person/ Entity Detail Sheet for an intermediary
9. Annexure C- Account Detail Sheet for an intermediary