



FAIR INTERMEDIATE PRODUCTS PVT. LTD.

Prevention of Anti Money Laundering Policy

The Government of India has serious concerns over money laundering activities which are not only illegal but anti-national as well. As a market participant it is evident that strict and vigilant tracking of all transactions of suspicious nature required.

What is Money Laundering? : Money Laundering is the processing of criminal proceeds to disguise its illegal origin.

The process of Money Laundering can be classified in to three stages, namely:

- 1. Placement,**
- 2. Layering, and**
- 3. Integration**

Implementation of AML/PMLA policy

Mr. Manoj Agarwal is appointed as the Principal Officer, he shall be responsible for:

- a. Compliance of PMLA & AML Guidelines.
- b. Identification of potentially suspicious transactions.
- c. Ensure that Fair discharges its obligation to file suspicious transaction report (STR) to the concerned authorities.
- d. Implementation of internal controls & procedures in this regard.

Pursuant to the **SEBI Master Circular No. ISD/AML/CIR-1/2008 dated 19/12/2008** and from time to time various circulars issued directing Intermediaries to adopt Strict Customer Due Diligence practices in order to prevent Money Laundering., we have adopted the below mentioned parameters, which are related to “overall client due-diligence process”:-

- Policy for acceptance of clients
- Procedure for identifying the clients of special category
- Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)
- Employees’ Hiring / Employee’s Training / Investor Education

A. POLICY FOR ACCEPTANCE OF CLIENTS:

We have developed a client acceptance policy and established procedure for the same as per the applicable rules/guidelines.

We are taking following safeguards while accepting the clients:

1. Account opening section is well instructed that not to open any account in a fictitious / benami name or on an anonymous basis in any circumstances.
2. We have not been allowing any account to be opened, where it does not meet clients due diligence measures / KYC policies.
3. We have been regularly updating KYC profile of “Clients of Special Category” defined under Money Laundering Act 2002, if any.
4. We have been properly complying documentation requirement and other information in respect of different classes of clients depending on perceived risk and having regard with the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI and SEBI from time to time.
5. We have not been allowing any client to act on behalf of another person / entity.
6. We have been taking special caution in case of account opening of NRI, OBC, and FIIs etc., if any.
7. We have taken necessary checks to ensure that the identity of the prospect client does not match with the person having criminal background.

B. BENEFICIAL OWNERSHIP CONTROL

The Beneficial Owner is the natural person or persons who ultimately own, control or influence a client and/ or persons 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 clients and it has to be verified independently. In this process we should find out who is authorize 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, etc. Periodically ask for the client’s financial details to determine the genuineness of transaction.

We may rely on a third party for the purpose of (a) identification and verification of the identity of a client and (b) determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.

C. ONGOING DUE DELIGENCE AND SCRUTINY

Periodically we need to conduct due diligence and scrutiny of client’s transaction and accounts to ensure that the transaction 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 conduct i.e. perform ongoing scrutiny of transactions and account throughout the course of business relationship to ensure that the transactions being conducted are consistent the organization’s knowledge of client, its business and risk profile, taking into account, where necessary, the customer’s source of funds.

D. PROCEDURE FOR IDENTIFYING THE CLIENTS

Procedure:

- a. We adhere with the KYC (Know Your Client) norms of the SEBI, under the supervision of the principal officer.

- b. We take all the details from the client like in case of individual we take photo identity proof issued by any government authority i.e. Driving License, Passport or Pan Card containing photo.
- c. We take address proof, copy of pan card, bank details and demat details and also verify the original of all the above-mentioned documents.
- d. We take above-mentioned details of director in case of corporate, details of partner /proprietor in case of Firm and Karta in case of HUF and last but not the least, we always take the details of the introducer of the client.
- e. We also update our client agreement form and risk disclosure as per the requirement of the regulatory authority from time to time.
- f. We have also instructed our staff to regularly report the transaction of suspicious nature to the Operation Head. We also try to ensure that the payment and delivery is received from the client own bank/demat account. We don't accept any payment from third party and same rule is being followed in case of delivery also.
- g. We have seen/check each original document prior to acceptance of a copy and same be stamped "Verified with the original". The information collected by us is enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by us in compliance with the Guidelines.

Clients Special Category (CSC)

As per PMLA guidelines & draft policy at present we do not deal with the accounts of Special Category Clients. For this purpose we take special care and we have properly sensitized our staff regarding this matter.

However, the client of Special Category include the following-

- a. Non resident clients
- b. High Net worth clients could be classified as such if at the account opening stage or during the course of the relationship, it is realized that the clients investments or the appetite for investment is high.
- c. Trust, Charities, NGOs and organizations receiving donations -Both public as well private, registered as well unregistered trust will have to be classified in the special category. Any Charitable or Non -governmental organization or a no Profit Organization will be also classified herein.
- d. Companies having close family shareholdings or beneficial ownership- In case of close family shareholdings the objective is to understand whether the beneficiaries of two or more accounts, which may also be opened at different times are same, then both need to be marked under this special category.
- e. Politically exposed persons (PEP) of foreign origin (i.e. Individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. and family members or close relatives of PEPs)
- 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.

The above mentioned list is only illustrative and the back office and trading staff should exercise independent judgment to ascertain whether new clients should be classified as CSC or not.

Risk profiling:

We will accept the clients based on the risk they are likely to pose. The aim is to identify 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 (A)**, **medium risk (B)**, **high risk (C)** clients. By classifying the clients, company would be in a better position to apply appropriate Customer Due Diligence process i.e., high degree of due diligence for high risk and normal for others.

a. Factors of risk perception of the client :-

Particulars

Factors of Risk Perception having regard to :

Client's Location (Registered / Correspondence/ other address)

| | Risk Perception |
|--|------------------------|
| - Face to Face clients of Lucknow | Low Risk |
| - Face to Face clients of other than Lucknow within U.P. | Low Risk |
| - Client Introduced by existing Face to Face Clients | Low Risk |
| - Client Introduced by other Existing Clients | Medium Risk |
| - Direct Clients of LUCKNOW | Medium Risk |
| - Direct Clients of other than LUCKNOW within U.P. | High Risk |

Nature of Business Activity, Trading Turnover etc

| | |
|---|-------------|
| -Retail clients (average daily turnover < Rs 10 Lakhs or net settlement obligation < Rs 2 Lakhs) | Low Risk |
| - Retail clients (average daily turnover < Rs 25 Lakhs or net settlement obligation < Rs 5 Lakhs) | Medium Risk |
| - HNI Clients (average daily turnover > Rs 25 Lakhs or net settlement obligation > Rs 5 Lakhs) | High Risk |

Manner of Making Payment

| | |
|--|-----------------------|
| - Regular payment through A/c payee cheque from the Bank A/c already mapped with us | Low Risk |
| - Payment through A/c payee cheque from the Bank A/c other than one already mapped with us | Medium Risk |
| - Payment through Banker's Cheque / Demand Draft / Cash | High Risk |
| Client of Special Categories | Very High Risk |

- b.** Ensure that no account is opened where we unable to apply appropriate clients due diligence measures / KYC policies. This shall be applicable in cases where it is not possible to ascertain the identity of the client or information provided by the client is suspected to be non genuine or

perceived non co-operation of the client in providing full and complete information. We should not continue to do business with such a person and file a suspicious activity report. We should also evaluate whether there is suspicious trading in the account and whether there is a need to freeze or close the account.

Risk Assessment

i. Registered intermediaries shall 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 shall also take 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 (these can be accessed at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and <http://www.un.org/sc/committees/1988/list.shtml>).

(E) TRANSACTION MONITORING AND REPORTING ESPECIALLY SUSPICIOUS TRANSACTIONS REPORTING

a. Suspicious Transaction Monitoring

Suspicious transactions involve funds which are derived from illegal activities or are transactions that are intended/ conducted in order to hide or disguise funds or assets derived from illegal activities (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any law or regulation or to avoid any transaction reporting requirement under the law;

The transaction has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the financial institution knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction.

1. We ensure close surveillance, where transaction amounting to Rs. 10 Lacs or more.
2. We have not been allowing any cash transaction with client.

Apart from this there is also a proper system to generate, monitor and report the suspicious transaction report.

- a. Generation of STR
- b. Monitoring of STR
- c. Reporting of STR (To FIU, If required)

For monitoring the funds received by the respective clients we have proper system to get the thorough check by matching the bank details with the database available with us. If there is any

mismatch then we give the credit of the amount only when he updates the bank account details with us and same is updated in our data base also.

For monitoring the large volumes done by the clients we at the end of day scrutinize and analyze the volumes of each and every client with the help of trail balance of the particular trade date and assess his financial capabilities based on the financial information provided by them to us. If there is any discrepancy found then we call the client and take the reasons and source of funds for these trades for our satisfaction.

b. Reporting of Suspicious Transaction to FIU :

Any suspicious transaction shall be immediately notified to the FIU by the “**DESIGNATED DIRECTOR** “ or the “**PRINCIPAL OFFICER**” of the intermediary to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address as may modified by the SEBI from time to time:

**Director, FIU-IND,
Financial Intelligence Unit-
India, 6th Floor, Hotel
Samrat, Chanakyapuri,
New Delhi – 110021
Website: <http://fiuindia.gov.in>**

The reporting requirements and formats specified by FIU from time to time.

If any employee suspects or has reasonable ground to believe that a customer is involved in money laundering must promptly be reported to the Principal Officer.

It should be ensured that the securities or money pertaining to suspicious trades should not be returned. However, the relevant authorities should be consulted in determining what action should be taken.

The principal officer shall also report transactions “legally connected” “transactions remotely connected or related to suspicious transactions.

No restrictions should be put on operations in the accounts where an STR has been made. All directors, officers and employees (permanent and temporary) are prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND.

Principal Officer:

The company has designated **Mr. Manoj Agarwal** as the Principal Officer who shall be responsible for implementation and compliance of this policy. The duties of the Principal officer shall include the following:

- Monitoring the implementation of Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) Policy
- Reporting of Transactions and sharing of information as required under the law
- Liasoning with law enforcement agencies.

- Ensuring submission of periodical reports to Designated Director. The report shall mention if any suspicious transactions are being looked into by the respective business groups and if any reporting is to be made to the authorities.
- Providing clarifications to staff members on the provisions of the Act, Rules, Guidelines and the policy of the company.

Designated Director

“Designated Director” means a person designated by the Board of Directors to ensure overall compliance with the obligations imposed under The Prevention of Money Laundering Act, 2002 and the Rules framed there under, as amended from time to time, and include the Managing Director or a Whole-time Director duly authorized by the Board of Directors. The Company shall appoint a Designated Director and communicate the details of the Designated Director, such as, name, designation and address to the Office of the Director, FIU-IND and update the same whenever there is any change.

Mr. Swatantra Kumar Rastogi has been appointed as designated director by the Board of Directors for the above mentioned purpose.

F. List of Designated Individuals/Entities

An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>. Registered intermediaries are directed to ensure that accounts are not opened in the name of anyone whose name appears in said list. Registered intermediaries shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to SEBI and FIU-IND.

Procedure for freezing of funds, financial assets or economic resources or related services

Section 51A, of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of Section 51A of the UAPA. Under the aforementioned Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. The obligations to be followed by intermediaries to ensure the effective and expeditious implementation of said Order has been issued vide SEBI Circular ref. no: [ISD/AML/CIR-2/2009 dated October 23, 2009, which needs to be complied with](#) scrupulously.

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G. EMPLOYEES' HIRING/EMPLOYEE'S TRAINING/ INVESTOR EDUCATION

Hiring of Employees

There is a proper system of screening procedures to ensure high standards when employees are hired for the position vacant with the organization. Especially the employees for the key position in the organization i.e. in the category of senior executive level and accounts head are selected who are highly competent to ensure and comply with the provisions of PMLA Act, 2002 and rules made there under and all the rules framed against terrorist financing are also given due weightage in true sense.

Employees' Training

Company adopted an ongoing employee training program 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.

Investors Education

To implement AML/CFT provisions in true sense there is need to get 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. Sometimes this may give rise to several queries from the client side for the purpose of collecting such information. For this we always try to sensitize our client about the provisions of AML/CFT. To satisfy the investors on these aspects so that they can easily provide the information to us we have made them aware of PMLA provisions by way of literature formulated by us for all the investors.

Record Keeping

We ensure the retention following documents:

a.) We maintained all necessary records of transactions, both domestic and international at least for the *a period of Eight years* prescribed under the relevant Act (PMLA, 2002 as well SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars.

b.)The records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of eight years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.

Retention of Records

a.)In case of any ongoing investigation for any PAN registered through us the record for the same to be retained until the final settlement of the dispute.

THE policy was placed before the Board of Directors of FIPPL and the same was approved by the Board of Directors.

For Fair Intermediate Products Pvt. Ltd.
(Sandeep Mittal)
(Director)



FAIR INTERMEDIATE PRODUCTS PVT. LTD.

Prevention of Anti Money Laundering Policy

Policy Maker : Mr. Kuldeep Trivedi
Policy Checker : Mr Manoj Agarwal
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