

POLICY ON ANTI MONEY LAUNDERING MEASURES

DAYCO SECURITIES PRIVATE LIMITED

Introduction

DAYCO SECURITIES PRIVATE LIMITED (hereinafter referred to as the 'Company') incorporated on 6TH Sep, 1994 under Companies Act, 1956 as a Company, is Securities and Exchange Board of India (SEBI) registered broker of the National Stock Exchange of India Ltd. (NSEIL), BSE LTD & MCX Stock Exchange Ltd (MCX-SX) and depositories Participant of National Securities Depositories Limited (NSDL).

Background

The Central Government passed The Prevention of Money Laundering Act, 2002 (hereinafter referred to as the 'Act') and was made public through Gazette of India published by the Department of Revenue under the Ministry of Finance w.e.f. 1st July, 2005.

The Central Government in consultation with the Reserve Bank of India has framed rules called the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (PMLA Rules).

SEBI has specified guidelines vide their circular ISD/CIR/RR/AML/1/06 dated January 18, 2006 for the intermediaries registered with SEBI u/s 12 of the SEBI Act. The guidelines have been framed under Rule 5 of PMLA Rules for maintenance of information in respect of transactions with its client referred to in rule 3 of PMLA Rules.

Since the company is an intermediary registered with SEBI u/s 12 of the SEBI Act, the Act is applicable to it and the Company and its representatives have to take steps as set out in guidelines issued by SEBI to discourage and identify any money laundering or terrorist financing activities.

While it is recognized that a "one-size-fits-all" approach may not be appropriate for the securities broking industry in India, so 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 the measures and the requirements as enshrined in the Prevention of Money Laundering Act, 2002. (PMLA)

The company thereafter adopted principles in implementing the various provisions of the Act and the Rules framed there under so as to maintain compliance of the same. In order to compile the various activities of the company in line with the provisions of

this Act, this policy has now been framed. The policy will be amended from time to time in line with the amendments made in the Act and the Rules framed there under and any other notifications and/or guidelines issued by SEBI.

As per provisions of Act, the Company has to maintain a record of all the transactions, which include:

1. All CASH transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.
2. All series of cash transactions integrally connected to each other, which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
3. 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.

3. Obligation to establish policies and procedures

In light of the above, the company and its representatives have to adopt appropriate policies and procedures for the prevention of money laundering and terrorist financing and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. The Board of the company or any other person or a group of persons as may be asked by the Board will:

- a. Ensure that the content of these Guidelines are understood by all staff members;
- b. Regularly review the policies and procedures on prevention of money laundering and terrorist financing to ensure their effectiveness.
- c. Adopt customer acceptance policies and procedures which are sensitive to the risk of money laundering and terrorist financing;
- d. Undertake customer due diligence ("CDD") measures to an extent that is sensitive to the risk of money laundering and terrorist financing depending on the type of customer, business relationship or transaction; and
- e. Develop staff members' awareness and vigilance to guard against money laundering and terrorist financing.

1. CUSTOMER DUE DILIGENCE PROCESS

A. Policy for acceptance of clients:

The company's main business is Stock broking and governed by the bye laws, rules, and regulations of the SEBI and the recognized Stock Exchanges and relevant depositories. The authorities have specified minimum documentation and verification required before opening an account of a client, which is quite extensive. Apart from that the authorities have made rules and

regulations and issued circulars from time to time for proper governance of securities market. Compliance of these rules and regulations ensures that all the transactions have proper audit trail as well as client verification. However, all representatives of the company must ensure following while opening an account of a client and doing transaction with them:

Individual Clients

- a. Generally a client is **introduced by another existing client**. However, if a client approaches directly, a proper verification of address, occupation and credential must be carried out by the Compliance officer.
- b. Know your client (KYC) / Client Registration form must be duly filled up and the information regarding residence/correspondence address, bank details, depository details **must be verified** with the original documents and if required from any other authentic sources.
- c. The Client must provide a recent photograph and necessary **identity proof as specified** in the KYC form.

Non Individual Clients

- a. The company will open a trading account for Non-individual entity, if the partner/ director/ karta of Partnership firm/ company/ HUF of such entity is our client and he/she has been **properly verified** as mentioned for individual clients.
- b. Copies of PAN card, **financials for last 2 years** or from inception of such entity if such entity is not older than 2 years, must be obtained strictly.
- c. **Shareholding pattern** and list of controlling persons must be obtained
- d. **Photograph of each partner**/Whole time Director/Karta/controlling person and details must be obtained as specified by the SEBI and Stock Exchanges.

On Going Process for Existing Clients

- a) Identifying clients having high turnover and matching the same with the financial details given by the clients.
- b) Obtaining of annual financial statements from all clients, particularly those clients transacting in heavy volumes.
- c) In case of non individuals additional information about the directors, partners, dominant promoters, major shareholders to be obtained.

B. Risk-based Approach

Each Registration form and Agreement must be reviewed by a **senior manager** before allowing any client to transact with us and a client may be graded with High risk. All the clients of special category as mentioned below should be marked High risk:

- 1) Non-resident clients

- 2) High Net-worth clients
- 3) Trust, Charities, NGOs and organizations receiving donations
- 4) Companies having close family shareholdings or beneficial ownership
- 5) Politically exposed persons (PEP) of foreign origin
- 6) 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)
- 7) Companies offering foreign exchange offerings
- 8) Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect)
- 9) Non face to face clients
- 10) Clients with dubious reputation as per public information available etc.

The KYC forms of clients marked as High Risk must be verified with the present status of the clients and financial credentials must be monitored by a senior person of the Organisation.

Any client who **transacts only once or twice in a year**, proper verification must be done before doing any transaction with the client.

2. RECORD KEEPING AND RETENTION

The company is maintaining records as per SEBI Act, 1992, Rules and Regulations made there under, PMLA Act, 2005 as well as other relevant legislation, Rules, regulations, Exchange, Bye laws and circulars. Record keeping as well as accounting system has to be improved as and when required. We ensure that sufficient information is available to reconstruct individual transactions.

Suspicious Transaction Monitoring & Reporting

The company has taken appropriate steps to enable suspicious transactions to be recognised and has appropriate procedures for reporting suspicious transactions. The company has made a list of circumstances, which may be in the nature of suspicious transactions as 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:

- a. Clients whose identity verification seems difficult or where client appears not to cooperate.

- b. Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
- c. Substantial increases in business without apparent cause ;
- d. Report generated on monthly basis of transactions valuing more than 10 lacs in individual cases are to be sent for Money Laundering Control Officer or any other designated officer within the company for his review & counter checking of client's credentials.

The company has made a policy to notify any suspicion transaction to the Money Laundering Control Officer or any other designated officer within the company. The notification is done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. It is ensured that there is continuity in dealing with the client in normal course 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.

On Going training to Employees:

The existing as well as new employees responsible for client registration and transaction monitoring should be familiarized of the requirements under PMLA and the procedures laid down by the Board. It should be ensured that all the operating and management staff fully understands their responsibilities under PMLA for strict adherence to customer due diligence requirements from establishment of new accounts to transaction monitoring and reporting suspicious transactions to the FIU.

Suitable training programme should be arranged at regular intervals and any new development / amendment should be brought to the notice of all the concerned department by the principal officer by way of issue of internal circulars.

In addition to in house staff, the Registered Sub Brokers and Authorised Persons should be informed about the PMLA and any amendments thereto from time to time.

Audit/Testing of Anti Money Laundering Program.

The Anti Money Laundering program should be subject to periodic audit specifically with regard to testing its adequacy to meet the compliance requirements. Our internal auditors should conduct the audit/testing of the current policy framed for the purpose of PMLA. The report of such an audit/testing should be placed before the Board of Directors in their succeeding meeting.

SIGNED BY:
FOR DAYCO SECURITIES PRIVATE LTD

PRINCIPAL OFFICER

CONFIDENTIAL