



PROGRESSIVE SHARE BROKERS PVT. LTD.
MEMBER : NSE, BSE, MCX, CDSL
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PROGRESSIVE SHARE BROKERS PVT. LTD

POLICY

ON

ANTI MONEY LAUNDERING

FOR

STOCK BROKING

DP OPERATIONS

POLICIES & PROCEDURES FOR PREVENTION OF MONEY LAUNDERING

(As per requirements of the PMLA Act 2002)

Definitions:

PMLA is Prevention of Anti Money Laundering Act. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets. The need for the PMLA in broking business was felt to curb the activities where Black Money is routed in financial market through broking as a financial route. The money in such course may come from various sources which are unethical and unorganized and may cause a harm to the Economy as a whole. With a hurricane effort from all the Financial institutions and regulatory the Act has been enforced.

Prevention of Money Laundering Act, 2002

- Prevention of Money Laundering Act, 2002 (PMLA 2002) and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (Maintenance of Records Rules) 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 and further amended from time to time and as notified by Government of India.
- The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including brokers and sub-brokers) and depositories to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU) - INDIA

Financial Intelligence Unit (FIU) – INDIA

- The Government of India has set up a 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.

Background

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Money laundering generally involves a series of multiple transactions used to disguise the source of financial assets, so that these assets may be used by people with criminal mindset who are seeking the use of these funds. Compliance of AML has become mandatory because of laxity in controls, regulatory reporting, competitive nature of business and the like. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets.

Capital Market intermediaries registered under Section 12 of the Securities and Exchange Board of India Act, 1992 (SEBI Act) are required to put in place a framework by developing and adoption of AML policy. It has to include mission, reporting, record keeping, monitoring, KYC and similar aspects.

Scope:

It is the policy of the Company to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. This policy applies to PSBPL Company, its branches / franchisees, its officers, employees, products and services offered by it.

Progressive PMLA Policy is closely monitored by the Principal Officer along with Progressive PMLA team

Policy Objective:

The key objective of PSBPL – PMLA Policy are:

- To ensure compliance with the laws and regulations in force from time to time.
- To establish a framework for adopting AML procedure and controls in the operations processes.
- To assist law enforcement agencies in their effort to investigate and track money launderers.
- To protect the company's reputation.

It includes the following: -

- Principal Officer appointment, designation and duties
- Appointment of Designated Director
- Policy for acceptance of client
- Procedure for identifying the clients
- List of Designated Individuals/Entities
- Maintenance of records
- Procedure for freezing of funds, financial assets or economic resources or related services
- Risk Based Approach
- Progressive Risk Assessment procedure
- Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)
- Reliance on third party for carrying out Client Due Diligence (CDD)
- Training on PMLA to Progressive staff
- Policy for Recruitment/hiring of personnel Investors Education
- Review Policy
- Board of Directors Approval

Principal Officer Appointment, Designation and Duties

The Company has designated Mr. Ashok Verma as the Principal Officer for its Anti-Money Laundering Program, with full responsibility for the Companies AML program is qualified by experience, knowledge and training. The duties of the Principal Officer will include monitoring the Companies compliance with AML obligations and overseeing communication and training for employees & Sub-Brokers/Authorized Person. The Principal Officer will also ensure that proper AML records are kept. When warranted, the Principal Officer will ensure filing of necessary reports with the Financial Intelligence Unit (FIU – IND)

The Company has provided the FIU with contact information for the Principal Officer, including name, title, mailing address, e-mail address, telephone number and facsimile number. The firm will promptly notify FIU of any change to this information.

Appointment of Designated Director

As per the Rule 2(ba) of the PML Rules, the definition of Designated Director means a person designated by reporting entity to overall compliance with the obligations imposed under chapter IV of the PML Act. As directed in SEBI circular no. CIR/MIRSD/1/2014 dated March 12, 2014 Company has appointed Mr. Aditya A Gagar as Designated Director.

Policy for acceptance of client

The policy is to enable customer due diligence on a risk sensitive basis depending on the type of customer business relationships or transactions. Accordingly, the following safeguards are to be followed while accepting the clients.

New client acceptance procedures adopted include following processes:

Before opening any new Client account, it will be ensured that the name(s) of the proposed client does not appear in the list in the 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 Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed in the United Nations website at <http://www.un.org/sc/committees/1267/consolist.shtml>.

- i. Client identification and verification procedure is done depending on nature /status of the client and

kind of transactions that are expected by the client. Also at the time of commencement of an account-based relationship, it shall be pertinent to identify clients, verify their identity and obtain information on the purpose and intended nature of the business relationship.

- ii. Verify the client's identity using reliable, independent source documents, data or information
- iii. One certified copy of an 'officially valid document' containing details of his identity and address, one recent photograph and such other documents including in respect of the nature of business and financial status of the client.
- iv. In person Verification of the Client shall be done
- v. Ensure Compliance with guidelines issued by various regulators such as SEBI, FIU, RBI etc.
- vi. No account shall be opened in a fictitious / benami name or on an anonymous basis
- vii. Establishing identity of the client, verification of addresses (registered office address, correspondence addresses and other addresses if applicable), phone numbers, nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken.
- viii. Obtaining sufficient information in order to identify persons who beneficially own or control the trading account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by entity other than the client
- ix. Identify the beneficial owner and take all reasonable steps to verify his/her/its identity.
- x. Verification of the genuineness of the PAN provided by the client such as comparing with original PAN, checking details on the Income tax website etc.
- xi. Checking original documents before accepting a copy.
- xii. Asking for any additional information as deemed fit on case to case basis to satisfy about the genuineness and financial standing of the client.
- xiii. Ensure that the client does not have any criminal background or whether he has been at any point of time been associated in any civil or criminal proceedings anywhere.
- xiv. Checking whether at any point of time he has been banned from trading in the stock market.
- xv. Classification of clients into high, medium or low risk categories based on KYC details, trading activity etc for closer monitoring of high risk categories.
- xvi. Obtaining of annual financial statements from all clients, particularly those in high risk categories.
- xvii. In case of non-individual's client additional information about the directors, partners, dominant promoters, major shareholders are obtained.
- xviii. To Obtain Aadhaar number as required by the Ministry of Finance gazette notification dated June 1, 2017 (BSE notice no.20170817-36 dated August 17, 2017)
- xix. Acceptance of e-PAN card for KYC purpose as per SEBI circular number SEBI/HO/IMD/FIIC/CIR/P/2017/068 dated June 30, 2017
- xx. Risk parameters shall be enabled for classification of clients into low, medium and high risk. High Risk category clients shall require higher degree of due diligence and regular update of Know Your Client (KYC) profile
- xx. Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time

For existing clients processes include:

- i. Review of KYC details of all the existing active clients in context to the PMLA requirements.
- ii. Ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that the same is consistent with knowledge of the customer, his business and risk profile

Procedure for identifying the clients

At the time of opening an account Progressive KYC Team ensures that No account is opened on anonymous basis. It is opened by name, which is disclosed in Income Tax PAN Card, Aadhar Card or Voter Identity card or Ration card or driving licenses. The Team also ensures that Beneficial Accounts are opened in the name respective client Name only. The Detailed client's specific documentation requirement is enclosed here below:

Constitution of Client	Proof of Identity	Proof of Address	Others
Individual	PAN Card and Aadhaar Card*	Copy of Bank Statement, etc.	N.A.
Company	PAN Card and Aadhaar Card** Certificate of Incorporation Memorandum and Articles of Association Resolution of Board of Directors	As above	Proof of Identity of the Directors/Others authorized to trade on behalf of the firm

Partnership Firm	PAN Card and Aadhaar Card*** Registration certificate	As above	Proof of Identity of the Partners/Others authorized to trade on behalf of the firm
Trust	PAN Card and Aadhaar Card \$ Registration certificate Trust deed	As above	Proof of Identity of the Trustees/ others authorized to trade on behalf of the trust
AOP/ BOI	PAN Card and Aadhaar Card \$\$ Resolution of the managing body Documents to collectively establish the legal existence of such an AOP/ BOI	As above	Proof of Identity of the Persons authorized to trade on behalf of the AOP/ BOI

The system as entailed will ensure that whoever is registered as client is a genuine person within the eyes of Law and not a Benami individual.

If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our firm will not open the new account.

Client Name should not appear in following lists

- SEBI Debarred Client List
- United Nations Website http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml
<http://www.un.org/sc/committees/1988/list.shtml>
- www.WatchoutInvestors.com

All PAN Cards received will verify form the Income Tax/ NSDL website before the account is opened.

Identification of Beneficial Ownership: The beneficial owner shall be determined as under

a) where the client is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means.

Explanation: For the purpose of this sub-clause:-

- i. "Controlling ownership interest" means ownership of or entitlement to more than ten per cent of shares or capital or profits of the company;
- ii. "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;

b) where the client is a partnership firm, the beneficial owner is the natural person(s) who, whether acting alone or together, or through one or more juridical person, has ownership of/ entitlement to more than ten percent of capital or profits of the partnership or who exercises control through other means.

Explanation: - For the purpose of this clause:- "Control" shall include the right to control the management or policy decision

c) where the client is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen per cent of the property or capital or profits of such association or body of individuals

d) where no natural person is identified under (a) or (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;

e) Where the client is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with ten per cent 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; and

f) where the client or the owner of the controlling interest is an entity listed on a stock exchange in India, or it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions notified by the Central Government, or it is a subsidiary of such listed entities, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such entities

g) The compliance of the aforementioned provision on identification of beneficial ownership shall be verified through half yearly internal audits.

Further periodically update of all documents, data or information of the clients and beneficial owners shall be collected under the CDD process particularly for high risk clients

No transaction or account based relationship shall be undertaken without following the CDD procedure.

iii. 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.

iv. Applicability for foreign investors:

While dealing with foreign investors' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012, for the purpose of identification of beneficial ownership of the client.

Clients of Special Category

We must exercise additional due diligence in case of the **Clients of Special Category** which include but not limited to:-

- a. Nonresident clients
- b. High networth clients
- c. Trust, Charities, NGOs and organizations receiving donations
- d. Companies having close family shareholdings or beneficial ownershipPolitically exposed persons (PEP) of foreign origin:
- e. 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)
- f. Companies offering foreign exchange offerings
- g. 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 centre's, tax havens, countries where fraud is highly prevalent.
- h. Non face to face clients
- i. Clients with dubious reputation as per public information available etc.
- j. Such Other persons who as per our independent judgment may be classified as CSC.

In case of PEP

- 1) In case we have reasons to believe that any of our existing / potential customer is a politically exposed person (PEP) we exercise due diligence, to ascertain whether the customer is a politically exposed person (PEP), which would include seeking additional information from clients and accessing publicly available information etc.
- 2) The dealing staff will obtain senior management's prior approval for establishing business relationships with Politically Exposed Persons. In case an existing customer is subsequently found to be, or subsequently becomes a PEP, dealing staff must obtain senior management's approval to continue the business relationship.
- 3) We take reasonable measures to verify source of funds of clients identified as PEP.
- 4) The client will be investigated and identified by using reliable sources including documents / information and would obtain adequate information to satisfactorily establish the identity of the client and the purpose of the intended nature of the relationship.
- 5) The broking company would take adequate steps to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the intermediary in compliance with the Guidelines. Each original document would be verified in original prior to acceptance of a copy.

If the senior management of the broking house finds that the existing / potential client is a PEP then the broking house if not satisfied with the documents / source of funds of the PEP client, then further instructions for the discontinuance of transactions on behalf of the PEP would be given and proper vigilance to see that no transactions on behalf of this PEP is carried out through the broking organization.

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 <https://press.un.org/en/content/press-release>.

The details of the lists are as under:

- i. The "ISIL (Da'esh) & Al-Qaida Sanctions List", which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al-Qaida Sanctions List is available at: <https://www.un.org/securitycouncil/sanctions/1267/press-releases>.
- ii. The list issued by United Security Council Resolutions 1718 of designated Individuals and Entities linked to Democratic People's Republic of Korea www.un.org/securitycouncil/sanctions/1718/press-releases

We have directed our KYC department to ensure that accounts are not opened in the name of anyone whose name appears in said list. KYC department has to 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.

Maintenance of records

The Principal Officer is responsible for the retention of records which include following:-

- 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 and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency.
- For the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', transactions remotely connected or related shall also be considered.
- 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
- All suspicious transactions whether or not made in cash. Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith :-
 - o gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
 - o appears to be made in circumstances of unusual or unjustified complexity; or
 - o appears to have no economic rationale or bonafied purpose; or
 - o gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism

The records shall contain the following information as referred to in Rule 3 of PML Rules:

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

a. STR Maintenance and Confidentiality

We will hold STRs and any supporting documentation confidential. We will not inform anyone outside of a law enforcement or regulatory agency or securities regulator about a STR. We will refuse any requests for STR information and immediately tell FIU IND of any such request we receive. We will segregate STR filings and copies of supporting documentation from other firm books and records to avoid disclosing STR filings. Our Principal Officer will handle all requests or other requests for STRs.

b. Responsibility for AML Records and SAR Filing

Principal Officer will be responsible to ensure that AML records are maintained properly and that STRs are filed as required.

c. Information to be maintained

Company will maintain and preserve the following information in respect of transactions referred to in

Rule 3 of PMLA Rules for the period of 8 years.

- i. Client Registration Forms (Shall maintain and preserve the record of documents evidencing the identity of its clients and beneficial owners e.g., copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence)
- ii. Contract Note
- iii. the nature of the transactions;
- iv. the amount of the transaction and the currency in which it denominated;
- v. the date on which the transaction was conducted; and
- vi. the parties to the transaction.

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

As per SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009, any such case informed to us from the Central Government who is listed in Schedule to the order and is engaged in terrorism then such individual/entities account will be immediately prohibited by Freezing of funds i.e. 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

Risk based Approach

It is generally recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, the registered intermediaries shall apply each of the client's due diligence measures on a risk sensitive basis. We have adopted an enhanced client due diligence process for higher risk categories of clients, containing verifying income details, in person interview by official, revised income pattern. Conversely, a simplified client due diligence process adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that registered intermediaries shall obtain necessarily depend on the risk category of a particular client.

Progressive Risk Assessment procedure

The Progressive Back Office Software has a facility to categorize clients in 3 categories i.e. Low Medium

& High. The risk assessment of the client is done at the time KYC procedure is done and it is periodically assessed by senior Compliance Officer and Principal Officer of the company. Progressive being a small Broking House has its cliental basically in the nature of Relatives or acquaintances of the Franchisee owner/ Directors & Employees. We have generally Low risk clients and in exceptional case of the clients belonging to High risk Assessment Procedure is carried out by interactions directly held up with the senior person and in case of Franchisee clients they are interviewed at the Franchisees end. The clients are interviewed to know the nature of the client and even the type of trading to be done by him. Further movement of funds and securities are tracked and checked to identify the person who beneficially own or control securities account. Clients are classified as high or medium risk broadly on the basis of the following criteria's: -

Low Risk

- Client Introduced through close references
- Respectable social and Sound Financial Back Ground
- Individuals Account
- Own A/c

Medium Risk

- Speculative client
- De-mat Account with other DP
- Dormant Account
- Client Banned by SEBI

- Corporate Account
- Trust, NGOs and organizations receiving donations

High Risk

- Client's credibility is under concern (dubious reputation)
- Suspicious background client
- Politically exposed persons (PEP)
- Clients of high risk countries
- NRI / Foreign Nation Account

Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)

The company will monitor through the automated means of Back Office Software for unusual size, volume, pattern or type of transactions. For non automated monitoring, the following kinds of activities are to be mentioned as Red Flags and reported to the Principal Officer.

- The customer exhibits unusual concern about the firm's compliance with government reporting requirements and the firm's AML policies (particularly concerning his or her identity, type of business and assets), or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspicious identification or business documents.
- The information provided by the customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.
- Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.
- The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
- The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.
- The customer attempts to make frequent or large deposits of currency, insists on dealing only in cash, or asks for exemptions from the firm's policies relating to the deposit of cash.
- The customer engages in transactions involving cash or cash equivalents or other monetary instruments that appear to be structured to avoid the Rs.10,00,000 government reporting requirements, especially if the cash or monetary instruments are in an amount just below reporting or recording thresholds.
- For no apparent reason, the customer insists for multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers.
- The customer requests that a transaction be processed to avoid the firm's normal documentation requirements.
- The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities, such as Z group and T group stocks, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)
- The customer's account shows an unexplained high level of account activity
- The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.
- The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer.

When a member of the company detects any red flag he or she will escalate the same to the Principal Officer for further investigation. Broad categories of reason for suspicion and examples of suspicious transactions for an intermediary are indicated as under:

Identity of Client

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities

Suspicious Background

- Suspicious background or links with known criminals

- Multiple Accounts
- Large numbers of accounts having a common account holder.
- Unexplained transfers between multiple accounts with no rationale

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 bonafide purpose
- Source of funds are doubtful
- Appears to be case of insider trading
- Investment proceeds transferred to a third party
- Transactions reflect likely market manipulations
- Suspicious off market transactions

Value of Transactions

- Large sums being transferred from overseas for making payments
- Inconsistent with the clients apparent financial standing
- Inconsistency in the payment pattern by client.

Suspicious Transactions Reporting

We will make a note of Suspicion Transaction that have not been explained to the satisfaction of the Principal Officer and thereafter report the same to the FIU IND and the required deadlines. This will typically be in cases where we know, suspect, or have reason to suspect:

- The transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade any the transaction reporting requirement
- The transaction is designed, whether through structuring or otherwise, to evade the any requirements of PMLA Act and Rules framed thereof
- The transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and we know, after examining the background, possible purpose of the transaction and other facts, of no reasonable explanation for the transaction, or
- The transaction involves the use of the firm to facilitate criminal activity.

We will not base our decision on whether to file a STR solely on whether the transaction falls above a set threshold. We will file a STR and notify law enforcement of all transactions that raise an identifiable suspicion of criminal, terrorist, or corrupt activities.

All STRs will be reported quarterly to the Board of Directors, with a clear reminder of the need to maintain the confidentiality of the STRs We will not notify any person involved in the transaction that the transaction has been reported, except as permitted by the PMLA Act and Rules thereof.

As part of our AML program, our company will create and maintain STRs and CTRs and relevant documentation on customer identity and verification. We will maintain STRs and their accompanying documentation for at least five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.

Reliance on third party for carrying out Client Due Diligence (CDD)

The company 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.

Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. Further it is clarified that the registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

Training on PMLA to Progressive Staff

We have an ongoing employee training program conducted by our Principal Officer and Senior Management. Participation of the Key Employees in the Seminars / workshops / meetings conducted by various Regulatory bodies are also attended from time to time, so that the members of the staff may regularly update their knowledge and are adequately trained in AML and CFT procedures.

All the Circulars issued by various Regulatory bodies including that of PMLA, are circulated to all the staff Members and the same are also being discussed in length in the Training Program. Training program conducted by us has special emphasis on frontline staff, back office staff, compliance staff and risk management staff. The front desk staffs dealing with new clients are trained to properly analyze the KYC documents and understand the investing / trading pattern of the client so as to be careful while inputting the trades on behalf of the new clients. It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

Our training will include, at a minimum: how to identify red flags and signs of money laundering that arise during the course of the employees' duties; what to do once the risk is identified; what employees' roles are in the firm's compliance efforts and how to perform them; the firm's record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the PMLA Act.

Policy for Recruitment/hiring of personnel

The HR Department is instructed to cross check all the references and should take adequate safeguards to establish the authenticity and genuineness of the persons before recruiting.

Activities covered in employee hiring:

1. Needs Analysis / Requisition and Sanction
2. Sources of Hiring - Job Portals / Internal References / Head Hunting / Campus Consultants
3. Screening / Shortlisting
4. Interviewing
5. Salary Verification
6. Reference Check, if applicable.
7. Offers Letter Generation
8. Joining and Induction

The department should obtain the following documents:

1. Photographs
2. Proof of address
3. Identity proof
4. Proof of Educational Qualification
5. References

Investors Education

As the implementation of AML / CFT measures being sensitive subject and requires to demand and collect certain information from investors which may be of personal in nature or has hitherto never been called for, which information include documents evidencing source of funds / income tax returns / bank records etc. and 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 to sensitize the clients about these requirements, as the ones emanating from AML and CFT framework. The company shall inform about the PMLA Circulars and other specific literature so as to educate the client of the objectives of the AML/CFT program from time to time. The importance of the same shall also made known to them at the time of opening the Account. We upload PMLA policy with changes from time to time on website for creating awareness amongst the investors.

Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 vide SEBI circular dated April 26, 2023

In terms of Section 12A of the WMD Act, the Central Government is empowered as under: "(2) For prevention of financing by any person of any activity which is prohibited under the WMD Act, or

under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems, the Central Government shall have power to— a) Freeze, seize or attach funds or other financial assets or economic resources— i. owned or controlled, wholly or jointly, directly or indirectly, by such person; or ii. held by or on behalf of, or at the direction of, such person; or iii. derived or generated from the funds or other assets owned or controlled, directly or indirectly, by such person; b) prohibit any person from making funds, financial assets or economic resources or related services available for the benefit of persons related to any activity which is prohibited under the WMD Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems. (3) The Central Government may exercise its powers under this section through any authority who has been assigned the power under sub-section (1) of section 7.”

- I. Maintain the list of individuals/entities (“Designated List”) and update it, without delay.
- II. verify if the particulars of the entities/individual, party to the financial transactions, match with the particulars of the Designated List and in case of match, CBL shall not carry out such transaction and shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the Chief Nodal Officer (“CNO”), without delay. The details of the CNO are as under:

The Director

FIU- INDIA

Tel.No.:01123314458, 01123314459 (FAX)

Email: dir@fiuindia.gov.in

- III. run a check, on the given parameters, at the time of establishing a relation with a client and on a periodic basis to verify whether individuals and entities in the Designated List are holding any funds, financial assets or economic resources or related services, in the form of bank accounts, stocks, insurance policies etc. In case, the clients ‘particulars match with the particulars of Designated List, stock exchanges and registered intermediaries shall immediately inform full particulars of the funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or insurance policies etc., held on their books to the CNO, without delay.
- IV. send a copy of the communication, mentioned in paragraphs 4(ii) and 4(iii) above, without delay, to the Nodal Officer of SEBI. The communication shall be sent to SEBI through post and through email (sebi_uapa@sebi.gov.in) to the Nodal Officer of SEBI, Deputy General Manager, Division of FATF, Market Intermediaries Regulation and Supervision Department, Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C7, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051.
- V. prevent such individual/entity from conducting financial transactions, under intimation to the CNO, without delay, in case there are reasons to believe beyond doubt that funds or assets held by a client would fall under the purview of Section 12A(2)(a) or Section 12A(2)(b) of the WMD Act.
- VI. file a Suspicious Transaction Report (STR) with the FIU-IND covered all transactions in the accounts, covered under paragraphs 4(ii) and (iii) above, carried through or attempted through.

Upon the receipt of the information above, the CNO would cause a verification to be conducted by the appropriate authorities to ensure that the individuals/entities identified are the ones in the Designated List and the funds, financial assets or economic resources or related services, reported are

in respect of the designated individuals/entities. In case, the results of the verification indicate that the assets are owned by, or are held for the benefit of, the designated individuals/entities, an order to freeze these assets under section 12A would be issued by the CNO and be conveyed to the concerned reporting entity so that any individual or entity may be prohibited from making any funds, financial assets or economic resources or related services available for the benefit of the designated individuals/entities.

Review Policy:

This policy will be reviewed annually and as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change on account of business needs and Risk Management policy.

The policy reviewed by Principal Officer & Compliance Officer and placed the changes in policy before the Board at the meeting first held after such changes are introduced and the same is communicated to all departmental heads and associate persons via email and a copy of the reviewed policy is also made available on our website.

Board of Directors Approval Board has approved this AML program as reasonably designed to achieve and monitor our company's ongoing compliance with the requirements of the PMLA and the implementing regulations under it.

For Progressive Share Brokers Pvt. Ltd.