

BCB BROKERAGE PRIVATE LIMITED
POLICIES AND PROCEDURE
FOR COMBATING MONEY LAUNDERING (ML) OR TERRORIST FINANCING (TF)
(Issued as per the requirements of the PMLA Act 2002)
Version 6.0 adopted March 2018

Applicable on BCB Group companies, primarily consisting of

BCB Brokerage Private Limited (BBPL), SEBI Registered Intermediary (Broking/ DP/Merchant Banking)

In compliance with

- The PMLA Act 2005 as modified and rules thereof
- SEBI Circular and Directives

1. Group Policy

It is our policy to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. 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.

2. Principal Officer

The Group has designated Shri Uttam Bagri as the Principal Officer and Mr. Bharat Bagri as the Designated Director with full responsibility for the Group's AML program.

The Group has provided the FIU with contact information for the Principal Officer and Designated Director as under:

- The details of appointment of Shri Uttam Bagri as principal officer has been intimated to the FIU vide BBPL letter dated 16-Feb-2006
- The details of appointment of Shri Bharat Bagri as Designated Director has been intimated to the FIU vide BBPL letter dated 07-June-2014

3. Client Due Diligence (CDD)

The group CDD measures shall comprise the following:

- (a) Obtaining sufficient information in order to identify persons who beneficially own or control the 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 shall 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 person 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 client'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 client and/or the person on whose behalf a transaction is being conducted;
- (d) Verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c);
- (e) Understand the ownership and control structure of the client;
- (f) 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 our knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds; and
- (g) We shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

The SEBI KRA/ CKYC process shall followed at all times as applicable

4. 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) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined 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 parameters shall enable classification of clients into low, medium and high risk. Clients of special category may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.
- c) Documentation requirements and other information shall 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.
- d) We shall ensure that an account is not opened where we are unable to apply appropriate CDD measures / KYC policies. This shall be applicable in cases where it is not possible to ascertain the identity of the client, or the information provided to us is suspected to be non genuine, or there is perceived non co-operation of the client in providing full and complete information. We shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. We shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, we shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.
- e) The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with us, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.
- f) Necessary checks and balance 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.
- (g) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

5. 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, we shall apply each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that we shall adopt an enhanced client due diligence process for higher risk categories of clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that we shall obtain necessarily depend on the risk category of a particular client. Further, low risk provisions shall not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk.

6. Clients of special category (CSC):

Such clients include the following.

- i. Non resident clients
- ii. High net-worth clients
- iii. Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
- iv. Companies having close family shareholdings or beneficial ownership
- v. Politically Exposed Persons (PEP) are 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. The additional norms applicable to PEP as contained in the subsequent para of this policy shall also be applied to the accounts of the family members or close relatives of PEPs.
- vi. Companies offering foreign exchange offerings
- vii. 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. While dealing with clients in high risk countries where the existence/effectiveness of money laundering control is suspect, we, apart from being guided by the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the

FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org), shall also independently access and consider other publicly available information.

viii. Non face to face clients

ix. Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and we shall exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.

8. Client identification procedure

We shall be in compliance with the following requirements while putting in place a Client Identification Procedure

a) We shall proactively put in place appropriate risk management systems to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPs. Further, the enhanced CDD measures as outlined above shall also be applicable where the beneficial owner of a client is a PEP.

b) We will obtain senior management approval for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, we shall obtain senior management approval to continue the business relationship.

c) We shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.

d) The client shall be identified by us by using reliable sources including documents / information. We shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.

e) The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by us in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.

f) Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority

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, we shall frame our own internal directives based on our experience in dealing with their clients and legal requirements as per the established practices. Further, we shall conduct ongoing due diligence where it notices inconsistencies in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued thereunder so that we are aware of the clients on whose behalf we are dealing.

We shall formulate and implement a CIP which shall incorporate the requirements of the PML Rules Notification No. 9/2005 dated July 01, 2005 (as amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients of the banking companies, financial institutions and intermediaries of securities market and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients.

It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to us from obtaining the minimum information/documents from clients as stipulated in the PML Rules/SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients. In other words, there shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures by us. This shall be strictly implemented by us.

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

i. 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.

ii. 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 we shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

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

We are aware that under section 51A of Unlawful Activities (Prevention) Act, 1967, 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.

In case if any client is found to be guilty under the PMLA provisions then the following procedure will be followed by the Company:

1. If the particulars of any of customer/s match the particulars of designated individuals/entities, the Company shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of securities, held by such customer on their books to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The Company would also convey the information through e-mail at jsis@nic.in.
2. The Company would inform the IS-I Division of MHA so that they may take effective action like informing the State Police and /or the Central Agencies for conducting the verification of the individuals/ entities identified by the registered intermediaries.
3. The Company to provide full support to the appointed agency for conducting of the verification so that the verification gets completed within a period of 5 working days
4. The Company would not provide any prior notice to the designated individuals/entities.

10. Record Keeping

1. We shall ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

2. We shall maintain such records 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.

3. Shall 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 shall retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:

(a) the beneficial owner of the account;

(b) the volume of the funds flowing through the account; and (c)

for selected transactions:

- the origin of the funds;
- the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
- the identity of the person undertaking the transaction;
- the destination of the funds;
- the form of instruction and authority.

4. We shall ensure that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, they shall retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed there-under PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

6. More specifically, we shall put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

- (i) all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;

- (ii) 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;
- (iii) 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;
- (iv) all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

11. Information to be maintained

We shall maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

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

12. Retention of Records

- 1. We shall take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information 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 of PML Rules shall be maintained and preserved for a period of five years from the date of transactions between the client and us
- 2. 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 five years after the business relationship between a client and us has ended or the account has been closed, whichever is later.
- 3. Thus the following document retention terms shall be observed:
 - (a) All necessary records on transactions, both domestic and international, shall be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed thereunder as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.
 - (b) We 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 for a period of five years after the business relationship between a client and us has ended or the account has been closed, whichever is later.
- 4. In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they shall be retained until it is confirmed that the case has been closed.
- 5. Records of information reported to the Director, Financial Intelligence Unit - India (FIU-IND): We shall maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, for a period of five years from the date of the transaction between the client and us

13. Monitoring of transactions

- 1. We shall pay special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose. We may specify internal threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits. The background including all documents/ office records/ memorandums/ clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/ stock exchanges/ FIUIND/ other relevant Authorities, during audit, inspection or as and when required. These records are required to be maintained and preserved for a period of five years from the date of transaction between the client and us as is required under the PMLA.
- 2. We shall ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND. Suspicious transactions shall also be regularly reported to the higher authorities.
- 3. Our compliance cell shall randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.

14. Suspicious Transaction Monitoring & Reporting

- 1. We shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, we shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

2. 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:

- a) Clients whose identity verification seems difficult or clients that appear not to cooperate
- b) Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;
- c) Clients based in high risk jurisdictions;
- d) Substantial increases in business without apparent cause;
- e) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- f) Attempted transfer of investment proceeds to apparently unrelated third parties;
- g) Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services, businesses reported to be in the nature of export- import of small items.

3. Any suspicious transaction shall 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 shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall 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. The Principal Officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

10.4 It is likely that in some cases transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. We shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

10.5 This policy categorizes clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'CSC'. Such clients shall also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.

15. 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>. We shall ensure that accounts are not opened in the name of anyone whose name appears in said list. We 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.

16. Reporting to Financial Intelligence Unit-India

1. In terms of the PML Rules, we are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the address Director, FIU-IND, Financial Intelligence Unit-India, 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi-110021. Website: <http://fiuindia.gov.in>

2. We shall ensure reporting in the Cash Transaction Report/ Suspicious Transactions Report in the formats as prescribed from time to time, as under:

- (a) The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- (b) The Suspicious Transaction Report (STR) shall 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 shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion.
- (c) The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND;
- (d) Utmost confidentiality shall 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.
- (e) No nil reporting needs to be made to FIU-IND in case there are no cash/suspicious transactions to be reported.

3. We shall not put any restrictions on operations in the accounts where an STR has been made. Our directors, officers and employees (permanent and temporary) shall be prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level. It is clarified that irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, we shall file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime.

17. Employees’ Hiring/Employee’s Training/ Investor Education

1. Hiring of Employees

We shall have adequate screening procedures in place to ensure high standards when hiring employees. They shall identify the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

2. Employees’ Training

We shall have an ongoing employee training programme so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements shall have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with 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.

3. Investors Education

Implementation of AML/CFT measures requires us to demand certain information from investors which may be of personal nature or 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 client with regard to the motive and purpose of collecting such information. There is, therefore, a need for us to sensitize their clients about these requirements as the ones emanating from AML and CFT framework. We shall prepare specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme and place them on our website(s)

18. Risk Assessment

i. We shall carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to 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/ 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>

ii. The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The assessment shall be documented, updated regularly and made available to competent authorities and self regulating bodies, as and when required.

19. Updation of the policy

The policy shall be revised/ updated on an annual basis

Revised policy approved at the Board meeting of BCB Brokerage Private Limited held on March 28, 2018

For BCB Brokerage Private Limited

Sd/-

(Uttam Bagri)

Director