

MERFIN SHARES AND STOCK BROKING P. LTD.

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POLICIES AND PROCEDURE FOR PREVENTION OF MONEY LAUNDERING (as per the requirements of the PMLA Act 2002)

Policy revised as per SEBI Circular SEBI circular CIR/MIRSD/2/2013 Jan 2013

The Merfin Shares & Stock Broking Private Limited (hereinafter referred to as Company) is the Registered Stock Broker with the Securities and Exchange Board of India (SEBI) and Member of Bombay Stock Exchange Limited (BSE) and MCX - SX and registered as Depository Participant with the Central Depository Services Limited (CDSL).

As per the Prevention of Anti Money Laundering Act, 2002, the Company has formulated the Policy for Anti Money Laundering and Anti-terrorist Financing. The below mentioned Policy is based on Guidelines for Market Intermediaries on Anti Money Laundering Standards issued by SEBI and the same is implemented to all Services mentioned below:

- Stock Broking – BSE
- Derivative Trading – BSE
- Currency Trading – MCX-SX
- Demat Services-through CDSL

1. Company Policy

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. 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 Designation and Duties

The company has designated **Shri. Mayur N Solanki** as the Principal Officer for its Anti-Money Laundering Program, with full responsibility for the company AML program is qualified by experience, knowledge and training. The duties of the Principal Officer will include monitoring the company compliance with AML obligations and overseeing communication and training for employees. 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 of the Principal Officer, including name, title, mailing address, e-mail address, telephone number and facsimile number. The company will promptly notify FIU of any change to this information.

3. Customer Identification and Verification

At the time of opening an account or executing any transaction with it, the company will verify and maintain the record of identity and current address or addresses including permanent address or addresses of the client, the nature of business of the client and his financial status as under

Constitution of Client	Proof of Identity	Proof of Address	Others
Individual	<ul style="list-style-type: none">• PAN Card	<ul style="list-style-type: none">• Copy of Bank Statement, etc	<ul style="list-style-type: none">• N.A.
Company	<ul style="list-style-type: none">• PAN Card• Certificate of incorporation• Memorandum and Articles of Association• Resolution of Board of Directors	<ul style="list-style-type: none">• As above	<ul style="list-style-type: none">• Proof of Identity of the Directors/Others authorized to trade on behalf of the company
Partnership Firm	<ul style="list-style-type: none">• PAN Card• Registration certificate• Partnership deed	<ul style="list-style-type: none">• As above	<ul style="list-style-type: none">• Proof of Identity of the Partners/Others authorized to trade on behalf of the company
Trust	<ul style="list-style-type: none">• PAN Card• Registration certificate• Trust deed	<ul style="list-style-type: none">• As above	<ul style="list-style-type: none">• Proof of Identity of the Trustees/ others authorized to trade on behalf of the trust
AOP/ BOI	<ul style="list-style-type: none">• PAN Card• Resolution of the managing body• Documents to collectively establish the legal existence of such an AOP/ BOI	<ul style="list-style-type: none">• As above	<ul style="list-style-type: none">• Proof of Identity of the Persons authorized to trade on behalf of the AOP/ BOI

1. 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 company will not open the new account.
2. All PAN Cards received will be verified from the Income Tax/ NSDL website before the account is opened

3. The company will maintain records of all identification information for ten years after the account has been closed

4. Risk Profiling of customer

- **Company** has adopted a risk-based approach in implementing its AML framework as spelt out in the AML Policy of the Broker. This approach includes assessment of various risks associated with different types of customer.
- For the purpose customers are classified under three broad categories
 1. High Risk customers
 2. Medium Risk customers
 3. Low Risk Customers
- Customers who are being referred by Merfin Shares & Stock Broking Pvt. Ltd., Authorized Person of **Company**. Or by other business associates shall be classified under Low Risk category.
- Rest all customers will be classified under Medium or High Risk category based on facts of the cases. Where a customer is classified under Medium or High Risk category, said accounts should be kept under supervision of Principal Officer.
- Further to above it is also necessary to cross verify the details of prospective customers with the databases of UN or other similar entity. **Company 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 should immediately be intimated to SEBI and FIU-IND.
- 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 Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) needs to be accessed in the United Nations website at <http://www.un.org/sc/committees/1267/consolist.shtml>
- In addition to above it is also necessary to identify and classify customers under 'Clients of Special Category' (CSC) an illustrative list of 'Clients of Special Category' (CSC) shall be read as under:
 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). Politically exposed persons 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.
6. Companies offering foreign exchange offerings,
7. Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, 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,
8. Non face to face clients,
9. Clients with dubious reputation as per public information available etc.

5. Client Due Diligence

5.1 The CDD measures 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 persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.
- b) Verify the 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 the registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds; and

- g) Registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

5.2 Policy for accepting of clients :

All registered intermediaries shall develop client acceptance policies and procedures that aim to identify the types of clients that are likely to pose a higher than average risk of ML or TF. By establishing such policies and procedures, they will be in a better position to apply client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction. In a nutshell, 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 (as given below) 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 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.
- d) Ensure that an account is not opened where the intermediary is 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 the intermediary is suspected to be non genuine, or there is perceived non co-operation of the client in providing full and complete information. The market intermediary 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. The market intermediary shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the market intermediary 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 the intermediary, 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).

6. Information to be maintained

Intermediaries are required to 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; and
- IV. the parties to the transaction.

7. Identification of Beneficial Ownership

- At the time of opening an account or executing any transaction with it, the **Company** will verify sufficient information from their clients in order to identify and verify the identity of persons who beneficially own or control the securities account.
- The beneficial owner has been defined as the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted; and includes a person who exercises ultimate effective control over a legal person or arrangement.
- **Company** will follow below mentioned approach while determining beneficial ownership -

A. For clients other than individuals or trusts:

1. Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, the **Company** will identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

- a. The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

Explanation: Controlling ownership interest means ownership of/entitlement to:

- i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ii. More than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- iii. More than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

b. In cases where there exists doubt under clause 1 (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

c. Where no natural person is identified under clauses 1 (a) or 1 (b) above, the identity of the relevant natural person who holds the position of senior managing official.

B. For client which is a trust:

2. Where the client is a trust, the **Company** shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% 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.

C. Exemption in case of listed companies:

3. 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.

8. Maintenance of records

The Principal Officer will be responsible for the maintenance for following records

- 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;
- 1) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- All suspicious transactions whether or not made in cash. Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith -
 - gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
 - appears to be made in circumstances of unusual or unjustified complexity; or
 - appears to have no economic rationale or bonafide purpose; or

- 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:

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

The records will be updated on daily basis, and in any case not later than 5 working days

9. Monitoring Accounts For Suspicious Activity

The company will monitor through the automated means of Back Office Software (*specify how suspicious transaction activity would be monitored*) 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 company 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 customer wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer's stated business or investment strategy.

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 exhibits a lack of concern regarding risks, commissions, or other transaction costs.

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 has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.

The customer attempts to make frequent or large deposits of currency, insists on dealing only in cash, or asks for exemptions from the company 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 engages in excessive journal entries between unrelated accounts without any apparent business purpose.

The customer requests that a transaction be processed to avoid the company 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 number of accounts having a common account holder, introducer or authorized signatory with no rationale
- 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

- Value just under the reporting threshold amount in an apparent attempt to avoid reporting
- Large sums being transferred from overseas for making payments
- Inconsistent with the clients apparent financial standing
- Inconsistency in the payment pattern by client
- Block deal which is not at market price or prices appear to be artificially inflated/deflated

10. Reporting to FIU IND

For Cash Transaction Reporting

- All dealing in Cash that requiring reporting to the FIU IND will be done in the CTR format and in the matter and at intervals as prescribed by the FIU IND

For 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 company 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 Management, 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.

11. AML Record Keeping

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 STR Filing**

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

c. **Records Required**

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 ten years.

12. Employee Hiring and Training Programs

We have adequate screening procedures in place to ensure high standards when hiring employees. They should 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

We will develop ongoing employee training under the leadership of the Principal Officer. Our training will occur on at least on annual basis. It will be based on our company size, its customer base, and its resources.

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 company compliance efforts and how to perform them; the company record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the PMLA Act.

We will develop training in our company, or contract for it. Delivery of the training may include educational circulars, intranet systems, in-person lectures, and explanatory memos.

We will review our operations to see if certain employees, such as those in compliance, margin, and corporate security, require specialized additional training. Our written procedures will be updated to reflect any such changes.

13. Program to Test AML Program

a. **Staffing**

The testing of our AML program will be performed by the Statutory Auditors of the company

b. **Evaluation and Reporting**

After we have completed the testing, the Auditor staff will report its findings to the Management. We will address each of the resulting recommendations.

14. Monitoring Employee Conduct and Accounts

We will subject employee accounts to the same AML procedures as customer accounts, under the supervision of the Principal Officer. We will also review the AML performance of supervisors, as part of their annual performance review. The Principal Officer's accounts will be reviewed by the Management.

15. Confidential Reporting of AML Non-Compliance

Employees will report any violations of the company AML compliance program to the Principal Officer, unless the violations implicate the Principal/Compliance Officer, in which case the employee shall report to **Mr. Mayur N Solanki** such reports will be confidential, and the employee will suffer no retaliation for making them.

16. Management Approval

We have approved this AML program as reasonably designed to achieve and monitor our company ongoing compliance with the requirements of the PMLA and the implementing regulations under it.

Points Amended as per SEBI circular CIR/MIRSD/2/2013 Jan 2013

17. Clients Other Than Individuals Or Trusts: :

Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

18. Client which is a trust:

Where the client is a trust, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% 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.

Points Amended as per SEBI circular CIR/MIRSD/1/2014 March 12, 2014

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

- a) While carrying out Client Due Diligence we 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 is being 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.
- b) 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.

20. Risk Assessment

- a) 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>).
- b) 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.

21. Record keeping requirements

- a. **In sub-clause 8.1 of Part II regarding maintenance of records pertaining to transactions of clients:** The words "for a period of ten years" shall be substituted with "for a period of ten years".
- b. **In sub-clause 8.2 of Part II regarding maintenance of records pertaining to identity of clients:** The words "The records of the identity of clients have to be maintained and preserved for a period of ten years from the date of cessation of transactions between the client and intermediary, i.e. the date of termination of an account or business relationship between the client and intermediary." shall be substituted with the following:

"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 ten

years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later."

c. Sub-clause 8.3 (b) of Part II shall be substituted with the following:

"Registered intermediaries 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 ten years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later."

d. In sub-clause 9.2 of Part II regarding monitoring of transactions:

The words "preserved for ten years" shall be substituted with "maintained and preserved for a period of ten years from the date of transaction between the client and intermediary".

e. In clause 8 of Part II, after sub-clause 8.4, following sub-clause shall be inserted –

8.5 Records of information reported to the Director, Financial Intelligence Unit - India (FIU-IND): Registered intermediaries 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 ten years from the date of the transaction between the client and the intermediary.

22. In clause 14 of Part II, after sub-clause 14.1, following sub-clause shall be inserted:

Appointment of a Designated Director

i. In addition to the existing requirement of designation of a Principal Officer, the registered intermediaries shall also designate a person as a 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules, the definition of a Designated Director reads as under:

"Designated Director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes —

- (i) the Managing Director or a Whole-time Director duly authorized by the Board of Directors if the reporting entity is a company,
- (ii) the managing partner if the reporting entity is a partnership firm,
- (iii) the proprietor if the reporting entity is a proprietorship concern,
- (iv) the managing trustee if the reporting entity is a trust,

(v) a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and

(vi) such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above."

- ii. In terms of Section 13 (2) of the PML Act (as amended by the Prevention of Money-laundering (Amendment) Act, 2012), the Director, FIU-IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of the intermediary to comply with any of its AML/CFT obligations.
- iii. Registered intermediaries shall communicate the details of the Designated Director, such as, name, designation and address to the Office of the Director, FIU-IND.

23. 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.

Points Amended as per SEBI circular SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated July 04, 2018

24) Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person

Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, shall move an application giving the requisite evidence, in writing,

to the concerned stock exchanges/depositories and registered intermediaries. The stock exchanges/depositories and registered intermediaries shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 5(ii) above within two working days. The Joint Secretary (IS-I), MHA, being the nodal officer for (IS-I) Division of MHA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, within fifteen working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned stock exchanges, depositories and registered intermediaries. However, if it is not possible for any reason to pass an order unfreezing the assets within fifteen working days, the nodal officer of IS-I Division shall inform the applicant.

25) Investors Education

Implementation of AML/CFT measures requires intermediaries 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 intermediaries to sensitize their clients about these requirements as the ones emanating from AML and CFT framework. Intermediaries shall prepare specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme.

26. The Policy will be reviewed annually.

The aforesaid AML policy is reviewed annually or as and when any new circulars issued by the SEBI or relative exchanges, within one month of the same with regard to testing its adequacy to meet the compliance requirements of PMLA 2002. The Principal Officer is the authority to give directions to undertake additions, changes, modifications etc. as directed by SEBI/ FIU-IND.

Prepared by: Mahesh Fulpadia

Review and Approved by: 1) Designated Director & Principal Officer - Mr. Mayur N Solanki

Designated Director & Principal Officer:

In the Case of any further Information/clarification is required in this regards, the "Principal Officer" may be contacted.

Name – Mayur N.Solanki

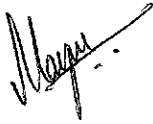
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For Merfin Shares & Stock Broking Private Limited



(Mr. Mayur N. Solanki)
Principal Officer



Date : 30th Jan, 2023.