

**SAURASHTRA
CAPITAL
BROKING
PVT.LTD.**

Member: BSE, NSE, & CDSIL

Formerly known: SAURASHTRA CAPITAL SERVICE PVT. LTD.

PMLA POLICY 2025-26

Know Your Customer,

Anti-Money Laundering (AML) Standards and Combating the

Financing of Terrorism (CFT)

&

Surveillance Policy

SAURASHTRA CAPITAL BROKING PVT. LTD.

(Formerly known as SAURASHTRA CAPITAL SERVICES PVT. LTD.)

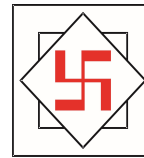
(SCBPL)

39-Great Western Building Compound, Bake House lane, Fort, Mumbai-400 001

Tele No: - 022 4056 4056 URL: saurashtracapital.in Email: info@saurashtracapital.in

Back Office: 29-A 1st Floor, Madhu Estate, Pandurang Budhkar Marg, Next to IKEY, Worli, Mumbai - 400013

CIN No: U65990 MH 1994 PTC 077691



**SAURASHTRA
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**SAURASHTRA CAPITAL BROKING PVT. LTD.
(FORMERLY KNOWN AS SAURASHTRA CAPITAL SERVICES PVT. LTD.)**

**POLICIES AND PROCEDURE FOR COMBATING MONEY LAUNDERING (ML) OR
TERRORIST FINANCING (TF)**

(Issued as per the requirements of the PMLA Act 2002)

Version 11.0 adopted August- 2025

Applicability

SAURASHTRA CAPITAL BROKING PVT. LTD. (FORMERLY KNOWN AS SAURASHTRA CAPITAL SERVICES PVT. LTD.) (SCBPL), SEBI Registered Intermediary (Broking/ DP)

In compliance with

- The PMLA Act 2005 as modified and rules thereof

- SEBI master circular ref. no: SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023 & SEBI/HO/MIRSDSECFATF/P/CIR/2024/78 dated June 06, 2024 regarding Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under.

1. SCBPL 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. It covers:

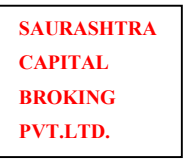
- i. Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc. whether in branches, departments or subsidiaries;
- ii. Client acceptance policy and client due diligence measures, including requirements for proper identification;

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iii. Maintenance of records; There is a system to maintain all the documents and records satisfactorily for a minimum period of 8 years, as per Securities and Exchange Board of India (Depositories And Participants) Regulations, 2018 dated 3rd October, 2018.

iv. Compliance with relevant statutory and regulatory requirements;

v. Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and

vi. Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff, of their responsibilities in this regard; and,

vii. The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors.

2.1. Written Anti Money Laundering Procedures

SCBPL has adopted these written procedures to implement the anti- money laundering provisions as envisaged under the PMLA. Such procedures shall include inter alia, the following three specific parameters which are related to the overall 'Client Due Diligence Process':

- a) Policy for acceptance of clients
- b) Procedure for identifying the clients
- c) Risk Management
- d) Transaction monitoring and reporting Suspicious Transactions Reporting (STR).

2.2. Client Due Diligence (CDD)

2.2.1 The CDD measures at SCBPL shall comprise the following:

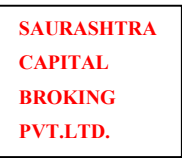
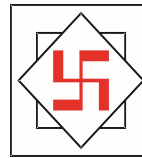
- a) Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or 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

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- b) Verifying the client's identity using reliable, independent source documents, data or information.
- c) Identifying 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) There shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD.

i. For 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, SCBPL shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

aa) 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.

bb) In cases where there exists doubt under clause (aa) 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.

cc) Where no natural person is identified under clauses (aa) or (bb) above, the identity of the relevant natural person who holds the position of senior managing official.

ii. For client which is a trust:

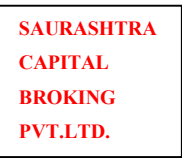
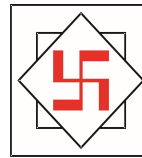
Where the client is a trust, SCBPL shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee,

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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.

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 will not be 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, SCBPL will be guided by the clarifications issued vide SEBI circulars CIR/MIRSD/11/2012 dated September 5, 2012 and CIR/ MIRSD/ 07/ 2013 dated September 12, 2013, for the purpose of identification of beneficial ownership of the client.

v. Monitor of compliance

The compliance of the aforementioned provision on identification of beneficial ownership shall be monitored by the Board of Directors of SCBPL

d) Verifying 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) Understanding the ownership and control structure of the client.

f) Conducting 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 SCBPL's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds

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

2.2.2 Policy for acceptance of clients:

2.2.2.1 The client acceptance policies and procedures of SCBPL is a part of the " SCBPL Client On boarding and Periodical Review Policy" (Attached as Annexure A) and aims 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, SCBPL 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 will be followed while accepting the clients:

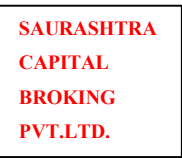
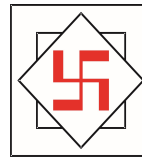
a) No account is opened in a fictitious / benami name or on an anonymous basis.

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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.

SCBPL shall undertake enhanced due diligence measures as applicable for Clients of Special Category (CSC). CSC shall include the following:

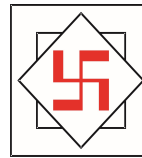
- a) Non - resident clients;
- b) High net-worth clients;
- c) Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations;
- d) Companies having close family shareholdings or beneficial ownership;
- e) Politically Exposed Persons (PEP). PEP are individuals who are or 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 paragraph 14 of this circular shall also be applied to the accounts of the family members or close relatives of PEPs;
- f) Clients in high risk countries. While dealing with clients from or situate in high risk countries or geographic areas or when providing delivery of services to clients through high risk countries or geographic areas i.e. places where existence or effectiveness of action against money laundering or terror financing is suspect, SCBPL apart from being guided by the FATF statements that inter alia identify such countries or geographic areas that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org) from time to time, shall also independently access and consider other publicly available information along with any other information which they may have access to. However, this shall not preclude SCBPL from entering into legitimate transactions with clients from or situate in such high risk countries and geographic areas or delivery of services through such high risk countries or geographic areas;
- g) Non face to face clients. Non face to face clients means clients who open accounts without visiting the branch/offices of the SCBPL or meeting the officials of the SCBPL. Video based customer identification process is treated as face-to-face onboarding of clients;
- h) Clients with dubious reputation as per public information available etc;

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

i) 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.

j) Ensure that an account is not opened where SCBPL is unable to apply appropriate CDD measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to SCBPL is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. SCBPL 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. SCBPL shall be cautious to ensure that we do not return securities of money that may be from suspicious trades. However, SCBPL shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.

k) 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 SCBPL, 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.

l) 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

m) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

2.2.2a Client identification procedure

1. The KYC policy shall clearly spell out the client identification procedure (CIP) to be carried out at different stages i.e. while establishing the intermediary – client relationship, while carrying out transactions for the client or when the intermediary has doubts regarding the veracity or the adequacy of previously obtained client identification data.

2. SCBPL shall be in compliance with the following requirements while putting in place a CIP:

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- i. All SCBPL 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.
 - ii. All SCBPL are required to 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, SCBPL shall obtain senior management approval to continue the business relationship.
 - iii. SCBPL shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
 - iv. The client shall be identified by the intermediary by using reliable sources including documents / information. The intermediary shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
 - v. The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the intermediary in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.
 - vi. Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority within the intermediary.
3. SEBI has specified the minimum requirements relating to KYC for certain classes of SCBPL from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been specified or which may be specified by SEBI from time to time, all SCBPL shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices.
4. Further, the intermediary 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 there under so that the intermediary is aware of the clients on whose behalf it is dealing.
- 4.1. Every intermediary 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

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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 SCBPL (brokers, depository participants, AMCs etc.) 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 SCBPL. This shall be strictly implemented by all SCBPL and non-compliance shall attract appropriate sanctions.

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

1. SCBPL may rely on a third party for the purpose of -

i. identification and verification of the identity of a client and

ii. 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.

2. 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. In terms of Rule 9(2) of PML Rules:

- i. The registered intermediary shall immediately obtain necessary information of such client due diligence carried out by the third party;
- ii. The registered intermediary shall take adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;
- iii. The registered intermediary shall be satisfied that such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;
- iv. The third party is not based in a country or jurisdiction assessed as high risk;

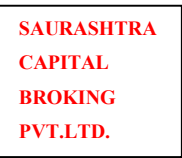
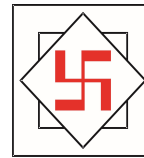
The registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

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2.2.3 Risk-based Approach:

2.2.3.1 SCBPL shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and should have policies approved by their senior management, controls and procedures in this regard. Further, the SCBPL shall monitor the implementation of the controls and enhance them if necessary.

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, SCBPL shall apply each of the clients due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that SCBPL 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 SCBPL shall obtain necessarily depend on the risk category of a particular client.

2.2.3.2 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

2.2.3.3 Policy for due diligence measures on a risk sensitive basis is a part of the " SCBPL Client On boarding and Periodical Review Policy"

2.2.3.3 Risk Assessment

a) SCBPL 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 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. 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 the URL

http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and

<http://www.un.org/sc/committees/1988/list.shtml>

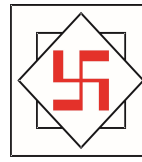
Policy for risk assessment and categorisation is a part of the " SCBPL Client On boarding and Periodical Review Policy"

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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.

2.2.4 Clients of special category (CSC)

Such clients shall include the following:

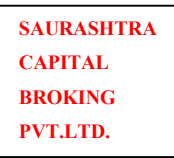
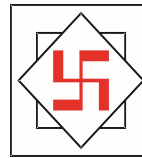
- a) Non - resident clients
- b) High net-worth clients,
- c) Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
- d) Companies having close family shareholdings or beneficial ownership
- e) Politically Exposed Persons (PEP) are individuals who are or have been 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 2.2.5 of this policy shall also be applied to the accounts of the family members or close relatives of PEPs.
- 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 centres, 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, SCBPL shall 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), also independently access and consider other publicly available information.
- h) Non face to face clients
- i) Clients with dubious reputation as per public information available etc.

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

2.2.5 Client identification procedure:

2.2.5.1 The KYC policy shall clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the client relationship, while carrying out transactions for the client or when SCBPL has doubts regarding the veracity or the adequacy of previously obtained client identification data. SCBPL shall be in compliance with the following requirements while putting in place a Client Identification Procedure (CIP):

- a) SCBPL shall proactively put in place appropriate risk management systems to determine whether its existing 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 in 2.2.5 shall also be applicable where the beneficial owner of a client is a PEP.
- b) Senior management approval would be obtained 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, SCBPL shall obtain approval from Director to continue the business relationship.
- c) SCBPL 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 SCBPL by using reliable sources including documents / information. SCBPL 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 SCBPL 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 (Principal Officer) within SCBPL

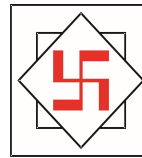
The SCBPL KYC policy is a part of the " SCBPL Client On boarding and Periodical Review Policy"

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2.2.5.2 SEBI has prescribed the minimum requirements relating to KYC from time to time. 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, SCBPL shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices. Further, SCBPL 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 the SCBPL is aware of the clients on whose behalf it is dealing.

2.2.5.3 SCBPL 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 and such other additional requirements that is considered appropriate to enable SCBPL to determine the true identity of its clients.

The SCBPL CIP is a part of the " SCBPL Client On boarding and Periodical Review Policy"

2.2.5.4 It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to SCBPL 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 SCBPL. This shall be strictly implemented by SCBPL.

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

2.2.6.1 SCBPL 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.

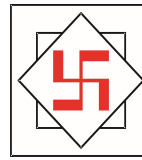
2.2.6.2 Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. Further, it is clarified that SCBPL shall be ultimately responsible for CDD and undertaking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

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2.3. Record Keeping

2.3.1 SCBPL 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.

2.3.2 SCBPL 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 behaviour.

2.3.3 Should 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, SCBPL 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:
 - i. the origin of the funds
 - ii. the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
 - iii. the identity of the person undertaking the transaction;
 - iv. the destination of the funds;
 - v. the form of instruction and authority.

2.3.4 SCBPL 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, SCBPL 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.

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

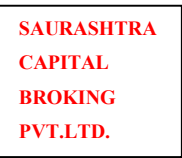
- a) all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
- b) all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken

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place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency;

c) 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;

d) all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

2.4. Information to be maintained

2.4.1 SCBPL will maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

- a) the nature of the transactions;
- b) the amount of the transaction and the currency in which it is denominated;
- c) the date on which the transaction was conducted; and
- d) the parties to the transaction.

2.5. Retention of Records

2.5.1 SCBPL 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 have to be maintained and preserved for a period of five years from the date of transactions between the client and SCBPL.

2.5.2 As stated in sub-section 2.2.5, SCBPL is required to formulate and implement the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of Eight years after the business relationship between the clients and SCBPL has ended or the account has been closed, whichever is later.

2.5.3 Thus the following document retention terms shall be observed:

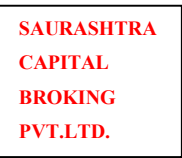
- a) All necessary records on transactions, both domestic and international, shall be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed thereunder as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.

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b) SCBPL shall maintain and preserve the records 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 or any extended time that the law may in force require, after the business relationship between a client and SCBPL has ended or the account has been closed, whichever is later.

2.5.4 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.

2.5.5 Records of information reported to the Director, Financial Intelligence Unit – India (FIU – IND):

SCBPL shall maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, as required under Rules 7 and 8 of the PML Rules, for a period of five years from the date of the transaction between the client and SCBPL

2.6. Monitoring of transactions

2.6.1 Regular monitoring of transactions is vital for ensuring effectiveness of the AML procedures. This is possible only if SCBPL has an understanding of the normal activity of the client so that it can identify deviations in transactions / activities.

2.6.2 SCBPL shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. SCBPL 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 will be maintained and preserved for a period of five years from the date of transaction between the clients and SCBPL.

2.6.3 SCBPL shall ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transaction 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 (Director) within SCBPL.

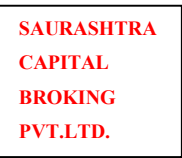
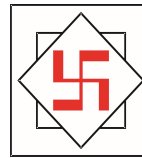
2.6.4 Further, the compliance cell of SCBPL shall randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.

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2.6.5 All regulatory alerts generated by the Market Infrastructure Institutions (MIIs) shall be monitored by the Principal Officer for necessary action to be taken

2.7. Suspicious Transaction Monitoring and Reporting

2.7.1 SCBPL 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, SCBPL shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

2.7.2 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.

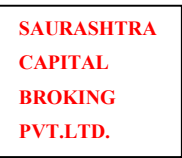
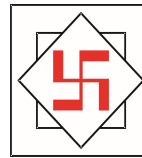
2.7.3 Any suspicious transaction shall be immediately notified to the Money Laundering Control Officer (Principal Officer) or any other designated officer within SCBPL. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason 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/ Money Laundering Control 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.

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2.7.4 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. It is clarified that SCBPL shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

2.7.5 Clause 2.2.4 (g) of 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.

Information to be maintained

2.7.6. SCBPL 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.

Record Keeping

2.7.7. SCBPL 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 Byelaws and Circulars.

2.7.8. SCBPL 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 behaviour.

2.7.9. In case of any suspected 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, SCBPL shall retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:

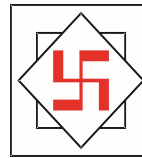
- i. the beneficial owner of the account;
- ii. the volume of the funds flowing through the account; and
- iii. for selected transactions:

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

2.7.10. SCBPL 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 byelaws or circulars.

2.7.11. More specifically, all the SCBPL shall put in place a system of maintaining proper record of the nature and value of transactions which has been prescribed under Rule 3 of PML Rules as mentioned below:

- i. all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
- ii. all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh 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. It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered.
- iii. 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;
- iv. all suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into or from any non-monetary account such as demat account, security account maintained by the registered intermediary.

Retention of Records

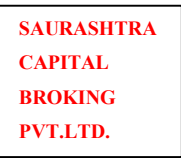
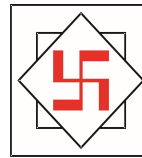
2.7.12. SCBPL shall take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PML

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Rules have to be maintained and preserved for a period of five years from the date of transactions between the client and intermediary.

2.7.13. As stated in paragraphs above, SCBPL are required to formulate and implement the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. 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 intermediary has ended or the account has been closed, whichever is later.

2.7.14. 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.

2.7.15. SCBPL shall maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, as required under Rules 7 and 8 of the PML Rules, for a period of five years from the date of the transaction between the client and the intermediary.

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

2.7.16. The Stock exchanges and the SCBPL shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA) and amendments thereto, they do not have any accounts in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC).

2.7.17. In order to ensure expeditious and effective implementation of the provisions of Section 51A of UAPA, Government of India has outlined a procedure through an order dated February 02, 2021 (Annexure 1) for strict compliance. These guidelines have been further amended vide a Gazette Notification dated June 08, 2021 (Annexure 2).

2.8. List of Designated Individuals/ Entities

2.8.1 The Ministry of Home Affairs, in pursuance of Section 35(1) of UAPA 1967, declares the list of individuals/entities, from time to time, who are designated as 'Terrorists'. The registered intermediaries shall take note of such lists of designated individuals/terrorists, as and when communicated by SEBI. All orders under section 35 (1) and 51A of UAPA relating to funds, financial assets or economic resources or related services, circulated by SEBI from time to time shall be taken note of for compliance.

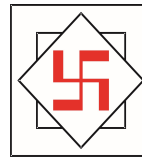
2.8.2 An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council

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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.

2.8.3. SCBPL will ensure that accounts are not opened in the name of anyone whose name appears in said list. SCBPL 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.

2.8.4. The Stock Exchanges and the SCBPL shall maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether the designated individuals/entities are holding any funds, financial assets or economic resources or related services held in the form of securities with them.

2.8.5. The Stock exchanges and the SCBPL shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions carried through or attempted in the accounts covered under the list of designated individuals/entities under Section 35 (1) and 51A of UAPA.

2.8.6. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to the Central [designated] Nodal Officer for the UAPA, at Fax No.011-23092551 and also conveyed over telephone No. 011-23092548. The particulars apart from being sent by post shall necessarily be conveyed on email id: jsctcr-mha@gov.in.

2.8.7. The Stock exchanges and the SCBPL shall also send a copy of the communication mentioned above to the UAPA Nodal Officer of the State/UT where the account is held and to SEBI and FIU-IND, without delay. The communication shall be sent to SEBI through post and through email (sebi_uapa@sebi.gov.in) to the UAPA 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. The consolidated list of UAPA Nodal Officers is available at the website of Government of India, Ministry of Home Affairs.

Jurisdictions that do not or insufficiently apply the FATF Recommendations

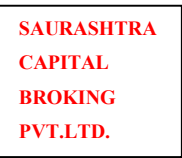
2.8.8. FATF Secretariat after conclusion of each of its plenary, releases public statements and places jurisdictions under increased monitoring to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing risks. In this regard, FATF Statements

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circulated by SEBI from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered by the SCBPL.

2.8.9. The SCBPL shall take into account the risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statements. However, it shall be noted that the regulated entities are not precluded from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statements.

Reporting to Financial Intelligence Unit-India

2.8.10. In terms of the PML Rules, SCBPL are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND,
Financial Intelligence Unit - India
6th Floor, Tower-2, Jeevan Bharati Building,
Connaught Place, New Delhi-110001, INDIA
Telephone : 91-11-23314429, 23314459
91-11-23319793(Helpdesk) Email:helpdesk@fiuindia.gov.in
(For FINnet and general queries)
ctrcell@fiuindia.gov.in
(For Reporting Entity / Principal Officer registration related queries)
complaints@fiuindia.gov.in
Website: http://fiuindia.gov.in

2.8.11. SCBPL shall carefully go through all the reporting requirements and formats that are available on the website of FIU – IND under the Section Obligation of Reporting Entity – Furnishing Information - Reporting Format ([https://fiuindia.gov.in/files/downloads/ Filing_Information.html](https://fiuindia.gov.in/files/downloads/Filing_Information.html)). These documents contain detailed directives on the compilation and manner/procedure of submission of the reports to FIU-IND. The related hardware and technical requirement for preparing reports, the related data files and data structures thereof are also detailed in these documents. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, SCBPL shall adhere to the following:

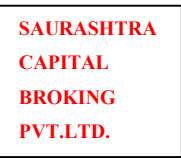
- i. The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- ii. The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series 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.

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- iii. The Non Profit Organization Transaction Reports (NTRs) for each shall be submitted to FIU-IND by 15th of the succeeding month.
- iv. The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;
- v. Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND.
- vi. No nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious/non-profit organization transactions to be reported.

2.8.12. SCBPL shall not put any restrictions on operations in the accounts where an STR has been made. SCBPL and their 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 the SCBPL, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime.

It is further clarified that "proceeds of crime" include property not only derived or obtained from the scheduled offence but also any property which may directly or indirectly be derived or obtained as a result of any criminal activity relatable to the scheduled offence.

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

2.9.1 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.

2.9.2 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.

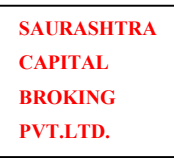
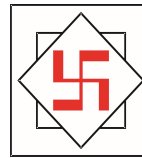
2.9.3 SCBPL shall ensure effective and expeditious implementation of the procedure laid down in the UAPA Order dated August 27, 2009 as listed below:

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a) On receipt of the updated list of individuals/ entities subject to UN sanction measures (hereinafter referred to as 'list of designated individuals/ entities') from the Ministry of External Affairs (MHA)' and forwarded by SEBI, SCBPL shall take the followings steps:

i. SCBPL will maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order (referred to as designated individuals/entities) are holding any funds, financial assets or economic resources or related services held in the form of securities with them.

ii. In the event, particulars of any of customer/s match the particulars of designated individuals/entities, SCBPL 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 particulars apart from being sent by post should necessarily be conveyed through e-mail at jsis@nic.in.

iii. SCBPL shall send the particulars of the communication mentioned in (ii) above through post/fax and through e-mail (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Officer on Special Duty, Integrated Surveillance Department, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, "G" Block, BandraKurla Complex, Bandra (E), Mumbai 400 051 as well as the UAPA nodal officer of the state/UT where the account is held, as the case may be, and to FIU-IND.

iv. In case the aforementioned details of any of the customers match the particulars of designated individuals/entities beyond doubt, SCBPL would prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No. 011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at jsis@nic.in.

v. SCBPL shall also file a Suspicious Transaction Report (STR), if any, with FIU-IND covering all transactions in the accounts covered by paragraph 2.9.2 (a) (ii) above carried through or attempted, as per the prescribed format.

b) On receipt of the particulars as mentioned in paragraph 2.9.3 (a) (ii) above, IS-I Division of MHA would cause a verification to be conducted by the State Police and /or the Central Agencies so as to ensure that the individuals/ entities identified by SCBPL are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by SCBPL are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.

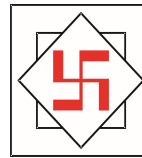
c) In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section 51A of the UAPA

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would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND. The order shall take place without prior notice to the designated individuals/entities.

d) Implementation of requests received from foreign countries under U.N. Securities Council Resolution 1373 of 2001.

i. U.N. Security Council Resolution 1373 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly, by such persons and associated persons and entities.

ii. To give effect to the requests of foreign countries under U.N. Security Council Resolution 1373, the Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the UAPA nodal officer for IS-I Division for freezing of funds or other assets.

iii. The UAPA nodal officer of IS-I Division of MHA, shall cause the request to be examined, within five working days so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be electronically forwarded to the nodal officer in SEBI. The proposed designee, as mentioned above would be treated as designated individuals/entities.

iv. Upon receipt of the requests from the UAPA nodal officer of IS-I Division, the list would be forwarded to SCBPL and the procedure as enumerated at paragraphs 2.9.2 (a) and (b) shall be followed.

v. The freezing orders shall take place without prior notice to the designated persons involved.

e) 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

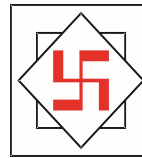
i. Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, shall move an application giving the requisite evidence, in writing, to SCBPL. SCBPL shall inform and forward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

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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 SCBPL. 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.

f) Communication of Orders under section 51A of Unlawful Activities (Prevention) Act.

i. All Orders under section 51A of the UAPA relating to funds, financial assets or economic resources or related services, would be communicated to stock exchanges, depositories and SCBPL through SEBI.

2.10. Reporting to Financial Intelligence Unit-India

2.10.1 In terms of the PML Rules, SCBPL is required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

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

2.10.2 SCBPL shall carefully go through all the reporting requirements and formats that are available on the website of FIU – IND under the Section Obligation of Reporting Entity – Furnishing Information – Reporting Format

(https://fiuindia.gov.in/files/downloads/Filing_Information.html).

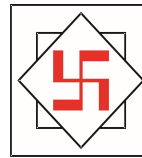
These documents contain detailed directives on the compilation and manner/procedure of submission of the reports to FIU-IND. The related hardware and technical requirement for preparing reports, the related data files and data structures thereof are also detailed in these documents While detailed instructions for filing all types of reports are given in the instructions part of the related formats, SCBPL shall adhere to the following:

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- 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 Non Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- d) The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;
- e) Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND.
- f) No nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious/ non – profit organization transactions to be reported.

2.10.3 SCBPL shall not put any restrictions on operations in the accounts where an STR has been made. SCBPL and its 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 the SCBPL, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if SCBPL has reasonable grounds to believe that the transactions involve proceeds of crime.

2.11. Designation of officers for ensuring compliance with provisions of PMLA

2.11.1 Appointment of a Principal Officer:

2.11.1.1 To ensure that SCBPL properly discharges its legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors.

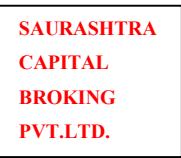
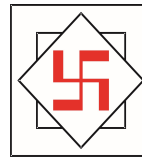
Mr. Paras Sanghvi, who is the wholtime Director of SCBPL was appointed as Principal Officer on 05-Mar-2016. The details of his appointment has been intimated to the Financial Intelligence Unit, India

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(FIU - IND) vide SCBPL letter dated 15-Mar-2016. Mr. Paras Sanghvi is also appointed as the Money Laundering Control Officer of SCBPL.

Names, designation and addresses (including email addresses) in case of change in 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU. As a matter of principle, 'Principal Officer' of SCBPL will be of a sufficiently senior position and is able to discharge the functions with independence and authority.

2.11.2 Appointment of a Designated Director:

2.11.2.1 In addition to the existing requirement of designation of a Principal Officer, SCBPL 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 –

- a) the Director or a Whole-Time Director duly authorized by the Board of Directors if the reporting entity is a company,
- b) the managing partner if the reporting entity is a partnership firm,
- c) the proprietor if the reporting entity is a proprietorship firm,
- d) the managing trustee if the reporting entity is a trust,
- e) 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
- f) 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.”

2.11.2.2 In terms of Section 13 (2) of the PMLA, the Director, FIU – IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of SCBPL to comply with any of its AML/CFT obligations.

2.11.2.3 SCBPL shall communicate the details of the Designated Director, such as, name designation and address to the Office of the Director, FIU – IND.

2.12. Employees' Hiring/Employee's Training/ Investor Education

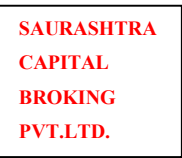
2.12.1 Hiring of Employees

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2.12.1.1 SCBPL shall have adequate screening procedures in place to ensure high standards when hiring employees. They shall identify the key positions within its 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.

2.12.2 Employees' Training

2.12.2.1 SCBPL will 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.

2.12.3 Investors Education

2.12.3.1 Implementation of AML/CFT measures requires SCBPL 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 SCBPL to sensitize its clients about these requirements as the ones emanating from AML and CFT framework. SCBPL shall prepare specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme. The said literature/ pamphlets shall be displayed on SCBPL's website www.saurashtracapital.in

3. Other principles

SCBPL shall ensure the following:

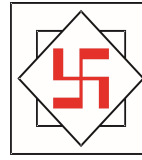
- a) Currently, there are no group companies on which the requirements of PML Act is applicable. However, if any when such companies come into the fold, SCBPL will ensure the statement of policies and procedures are issued on a group basis, for dealing with ML and TF reflecting the current statutory and regulatory requirements
- b) SCBPL shall ensure that the content of these Directives are understood by all staff members
- c) SCBPL will regularly review the policies and procedures on the prevention of ML and TF on an annual basis to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures

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d) SCBPL will adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF

e) SCBPL will undertake client due diligence (“CDD”) measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction

f) SCBPL have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and

g) SCBPL will develop staff members’ awareness and vigilance to guard against ML and TF

Periodicity for the review of PLMA Policy is either 12 month Or Once in a Financial Year.

The Approved Person for Authorising the Policy is the Director Mr. Mukesh K. Doshi.

For Board of Directors of

SAURASHTRA CAPITAL BROKING PVT. LTD.

(FORMERLY KNOWN AS SAURASHTRA CAPITAL SERVICES PVT. LTD.)

Mukesh K, Doshi,

Director.

Last review dated : 6th March, 2025.

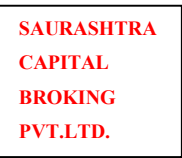
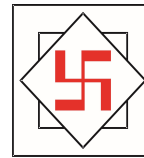
Current review Date : 30th September, 2025

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Annexure A - SCBPL Client On boarding and Periodical Review Policy

Encompassing

Client acceptance policies and procedures/ Due diligence measures on a risk sensitive basis/ Risk assessment and categorisation

Client on boarding Process at SCBPL

- When individual client account opening form is received, all requirements under CKYCR and KRA shall be completed
- When non-individual client account opening form is received, all requirements under KRA shall be completed. As and when CKYCR starts accepting non-individual clients, CKYCR process shall be completed even for non-individual clients
- SCBPL will use the Permanent Account number (PAN) allotted by the Indian Income Tax Department as the main identifier for the identity of all individuals. The PAN as provided shall be independently verified from the Income Tax Database/ databases of other entities authorised by the Income Tax department.
- All processes like in-person verification, verification of copies against originals, and all other requirements of KRA and CKYCR shall be met at all times by SCBPL diligently

A public database search of the individual (in case of individual clients) and beneficial owners/ senior management in case of non-individuals clients shall be conducted at the following places:

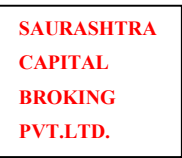
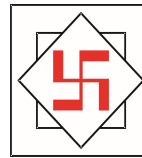
- PAN number search on Google
- Search on Stock exchange provided lists
- Search on whatchoutinvestors.com
- Search on UN databases
- Search in any other commercial database that SCBPL may subscribe to

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The search shall ensure that 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.

If any alerts are generated during the search, then matter shall be escalated to Principal Officer to take a decision whether to open the account or not.

Income and net worth details shall be taken for all clients on a self declaration basis. In case of clients trading on derivatives, documentary evidence of financial details as prescribed under SEBI Circular MIRSD/SE/Cir-19/2009 dated 03-Dec-2009 as modified/ updated/ reissued shall be taken.

Where the above details are not available, the account shall not be opened.

Risk categorisation

All clients, at the time of onboarding shall be classified in low, medium and high risk categories, based on the following parameters;

Meets all four parameters - High Risk

Meets three parameters - Medium Risk

Meets two or less parameters - Low risk

- Parameter 1(Location) - If the clients' location (registered office address, correspondence addresses and other addresses if applicable) is out of India in any of the high risk jurisdictions as defined by FATF
- Parameter 2(nature of business activity) - If the client is dealing in derivatives segment
- Parameter 3(Trading turnover) - If the turnover of the client is not commensurate with the income/ net worth as provided to SCBPL
- Parameter 4(Manner of making payment for transactions undertaken) - it client attempts to make payments from accounts other than its own bank accounts

Persons authorised to trade on behalf of the client

Where an individual client has given authority to another person who is not a relative to trade on its behalf, the matter shall be escalated to Principal Officer.

Where a non-individual client has given authority to another person who is not an employee/ office bearer to trade on its behalf, the matter shall be escalated to Principal Officer.

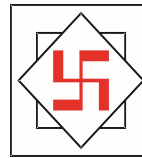
In case the authority is given to a SEBI Registered Intermediary like Portfolio Manager or Investment Advisor, the SEBI registration details of such intermediary shall be kept on record.

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Client KYC periodic review at SCBPL

- The KYC of all clients shall be reviewed and updated on a five yearly basis
- For CSC and High Risk Clients, the KYC shall be reviewed and updated every three years
- For PEP, the KYC shall be reviewed and updated every two years.

Annexure } PMLA policy 2025

SEBI master circular ref. no: SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023 & SEBI/HO/MIRSD/SEC/FATF/P/CIR/2024/78 dated June 06, 2024 regarding Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) / Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under.

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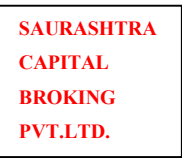
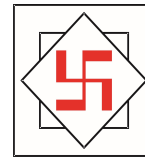
Procedure for freezing of funds, financial assets or economic resources or

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<https://www.mha.gov.in/sites/default/files/A1967-37.pdf>

List/link of high-risk jurisdictions as per FATF:<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-june-2024.html>

<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Call-for-action-june-2024.html>

<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-october-2024.html>

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Overview

1. The Directives as outlined below provide a general background and summary of the main provisions of the applicable anti-money laundering and anti-terrorist financing legislations in India. They also provide guidance on the practical implications of the Prevention of Money Laundering Act, 2002 (PMLA). The Directives also set out the steps that a registered intermediary or its representatives shall implement to discourage and to identify any money laundering or terrorist financing activities.

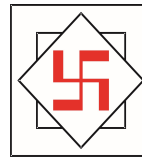
2. These Directives are intended for use primarily by intermediaries registered under Section 12 of the Securities and Exchange Board of India Act, 1992 (SEBI Act), Stock Exchanges, Depositories and other recognised entities under the SEBI Act and Regulations and rules there under. While it is recognized that a “one-size-fits-all” approach may not be appropriate for the

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securities industry in India, each registered intermediary shall consider the specific nature of its business, organizational structure, type of clients and transactions, etc. when implementing the suggested measures and procedures to ensure that they are effectively applied. The overriding principle is that they shall be able to satisfy themselves that the measures taken by them are adequate, appropriate and abide by the spirit of such measures and the requirements as enshrined in the PMLA.

Background

3. As per the provisions of PMLA and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (PML Rules), as amended from time to time and notified by the Government of India, every reporting entity (which includes intermediaries registered under section 12 of the SEBI Act, i.e. a stock-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, asset management company, depository participant, merchant banker, portfolio manager, investment adviser and any other intermediary associated with the securities market and registered under Section 12 of the SEBI Act and stock exchanges), shall have to adhere to the client account opening procedures, maintenance records and reporting of such transactions as prescribed by the PMLA and rules notified there under.

The PML Rules empower SEBI to specify the information required to be maintained by the intermediaries and the procedure, manner and form in which it is to be maintained. It also mandates the reporting entities to evolve an internal mechanism having regard to any guidelines issued by the regulator for detecting the transactions specified in the PML Rules and for furnishing information thereof, in such form as may be directed by SEBI.

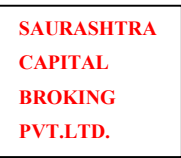
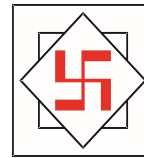
4. The PMLA inter alia provides that violating the prohibitions on manipulative and deceptive devices, insider trading and substantial acquisition of securities or control as provided in Section 12A read with Section 24 of the SEBI Act will be treated as a scheduled offence under schedule B of the PMLA.

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Policies and Procedures to Combat Money Laundering and Terrorist Financing

Essential Principles:

5. These Directives have taken into account the requirements of the PMLA as applicable to the intermediaries registered under Section 12 of the SEBI Act. The detailed directives have outlined relevant measures and procedures to guide the registered intermediaries in preventing ML and TF. Some of these suggested measures and procedures may not be applicable in every circumstance. Each intermediary shall consider carefully the specific nature of its business, organizational structure, type of client and transaction, etc. to satisfy itself that the measures taken by it are adequate and appropriate and follow the spirit of the suggested measures and the requirements as laid down in the PMLA and guidelines issued by the Government of India from time to time.
6. In case there is a variance in Client Due Diligence (CDD)/ Anti Money Laundering (AML) standards specified by SEBI and the regulators of the host country, branches/overseas subsidiaries of registered intermediaries are required to adopt the more stringent requirements of the two.
7. If the host country does not permit the proper implementation of AML/CFT measures consistent with the home country requirements, financial groups shall be required to apply appropriate additional measures to manage the ML/TF risks, and inform SEBI.

Obligation to establish policies and procedures

8. Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need for financial institutions, including securities market intermediaries, to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing. The PMLA is in line with these measures and mandates that all registered intermediaries ensure the fulfillment of the aforementioned obligations.

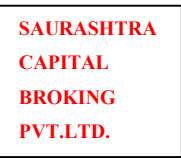
9. The term "group" shall have the same meaning as signed to it in clause (cba) of sub-rule(1) of Rule 2 of the PML Rules as amended from time to time. Groups shall implement group-wide

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policies for the purpose of discharging obligations under Chapter IV of the PMLA.

10. Financial groups shall be required to implement group wide programmes for dealing with ML/TF, which shall be applicable and appropriate to all branches and majority owned subsidiaries of the financial group as under:

- a. policies and procedures for sharing information required for the purposes of CDD and ML/TF risk management;
- b. the provision, at group level compliance, audit, and/or AML/CFT functions, of customer, account, and transaction information from branches and subsidiaries when necessary for AML/CFT purposes. This shall include information and analysis of transactions or activities which appear unusual (if such analysis was done);
Similar provisions for receipt of such information by branches and subsidiaries from these group level functions when relevant and appropriate to risk management; and
- c. adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.

11. To be in compliance with these obligations, the senior management of a registered intermediary shall be fully committed to establishing appropriate policies and procedures for the prevention of ML and TF and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. The registered intermediaries shall:

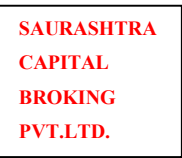
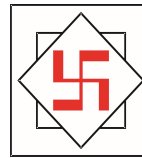
- i. issue a statement of policies and procedures and implement, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements;
- ii. ensure that the content of these Directives are understood by all staff members;
- iii. regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures;

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- iv. adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF;
- v. undertake CDD measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction;
- vi. have a system in place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- vii. develop staff members' awareness and vigilance to guard against ML and TF.

12. Policies and procedures to combat ML and TF shall cover:

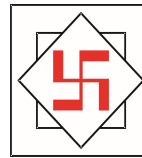
- i. Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities Transactions money and client records etc. whether in branches, departments or subsidiaries;
- ii. Client acceptance policy and client due diligence measures, including requirements for proper identification;
- iii. Maintenance of records;
- iv. Compliance with relevant statutory and regulatory requirements;
- v. Co-operation with the relevant law enforcement authorities, including the timely disclosure of information;
- vi. Role of internal auditor compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of frontline staff, of their responsibilities in this regard; and,
- vii. The internal audit functions shall be independent, adequately resourced and commensurate with the

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size of the business and operations, organization structure, number of clients and other such factors.

Written Anti Money Laundering Procedures

13. Each registered intermediary shall adopt written procedures to implement the anti-money laundering provisions as envisaged under the PMLA. Such procedures shall include inter alia, the following four specific parameters which are related to the overall 'Client Due Diligence Process':

- i. Policy for acceptance of clients;
- ii. Procedure for identifying the clients;
- iii. Risk Management;
- iv. Monitoring of Transactions.

Client Due Diligence (CDD)

14. Client Due Diligence means due diligence carried out on a client referred to in clause (ha) of sub-section (1) of section 2 of the PMLA using reliable and independent sources of identification.

15. The CDD shall have regard to the money laundering and terrorist financing risks and the size of the business and shall include policies, controls and procedures, approved by the senior management, to enable the reporting entity to manage and mitigate the risk that have been identified either by the registered intermediary or through national risk assessment.

16. The CDD measures comprise the following:

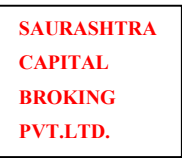
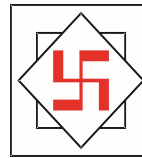
- i. Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using reliable and independent 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

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- control over a legal person or arrangement;
- ii. Identify the clients, verify their identity using reliable and independent sources of identification, obtain information on the purpose and intended nature of the business relationship, where applicable;
 - iii. Verify the clients identity using reliable, independent source documents, data or information. Where the client purports to act on behalf of juridical person or individual or trust, the registered intermediary shall verify that any person purporting to act on behalf of such clientis so authorized and verify the identity of that person;
Provided that in case of a Trust, the reporting entity shall ensure that trustees disclose their status at the time of commencement of an account based relationship.
 - iv. Identifying 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. 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.

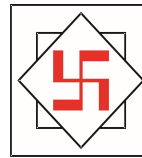
Explanation:-For the purpose of this clause:-

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“Control” shall include the right to control the management or policy decision;

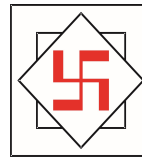
- c) **where the client is an unincorporated association or body of individuals**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen percent. of the property or capital or profits of such association or body of individuals;
- d) where nonnatural 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, settlor, protector 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) **Applicability for foreign investors:** Registered intermediaries dealing with foreign investors’ may be guided by SEBI Master CircularSEBI/HO/AFD-2/CIR/P/2022/175datedDecember19,2022 and amendments thereto, if any, for the purpose of identification of beneficial ownership of the client;
- h) The Stock Exchanges and Depositories shall monitor the compliance of the aforementioned provision on identification of beneficial ownership through half yearly internal audits. In case of mutual funds, compliance of the same shall be

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monitored by the Boards of the Asset Management Companies and the Trustees and in case of other registered intermediaries, by their Board of Directors.

- v. 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 (iii);
- vi. Understand the nature of business, ownership and control structure of the client;
- vii. 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.
- viii. Registered intermediaries shall review the due diligence measures including verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship, as the case may be, when there are suspicions of money laundering or financing of the activities relating to terrorism or where there are doubts about the adequacy or veracity of previously obtained client identification data.
- ix. Registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process such that the information or data collected under client due diligence is kept up-to-date and relevant, particularly for high risk clients.
- x. Every registered intermediary shall register the details of a client, in case of client being a non-profit organisation, on the DARPAN Portal of NITI Aayog, if not already registered, and maintain such registration records for a period of five years after the business relationship between a client and the registered intermediary has ended or the account has been closed, whichever is later.
- xi. Where registered intermediary is suspicious that transactions relate to money laundering or terrorist financing, and reasonably believes that performing the CDD process will tip-off the client, the registered intermediary shall not pursue the CDD process, and shall instead file a STR with FIU-IND.

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

Policy for acceptance of clients

18.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:

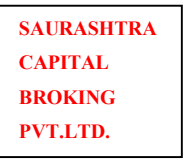
- i. No registered intermediary shall allow the opening of or keep any anonymous account or account in fictitious names or account on behalf of other persons whose identity has not been disclosed or cannot be verified;
- ii. Factors of risk perception (in terms of monitoring suspicious transactions) 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;
- iii. The registered intermediaries shall undertake enhanced due diligence measures as applicable for Clients of Special Category(CSC).CSC shall include the following:
 - a) Non-resident clients;
 - b) High net-worth clients;
 - c) Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations;
 - d) Companies having close family shareholdings or beneficial ownership;
 - e) Politically Exposed Persons”(PEPs).PEP shall have the same meaning as given in clause

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- (db) of sub-rule(1) of rule 2 of the PML Rules. The additional norms applicable to PEP as contained in the subsequent paragraph 20 of the master circular shall also be applied to the accounts of the family members or close relatives / associates of PEPs;
- f) Clients in high risk countries. While dealing with clients from or situated in high risk countries or geographic areas or when providing delivery of services to clients through high risk countries or geographic areas i.e. places where existence or effectiveness of action against money laundering or terror financing is suspected, registered intermediaries apart from being guided by the FATF statements that inter alia identify such countries or geographic areas that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org) from time to time, shall also independently access and consider other publicly available information along with any other information which they may have access to. However, this shall not preclude registered intermediaries from entering into legitimate transactions with clients from or situated in such high risk countries and geographic areas or delivery of services through such high risk countries or geographic areas. The intermediary shall specifically apply EDD measures, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF;
- g) Non face to face clients – Non face to face clients means clients who open accounts without visiting the branches/offices of the registered intermediaries or meeting the officials of the registered intermediaries. Video based customer identification process is treated as face-to-face on boarding of clients;
- h) Clients with dubious reputation as per public information available etc.

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

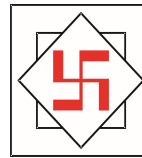
- iv. Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.
- v. Ensure that an account is not opened where the intermediary is unable to apply appropriate CDD measures. This shall apply in cases where it is not possible to ascertain the identity of

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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 registered 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 registered intermediary shall be cautious to ensure that it does not return securities or money that may be from suspicious trades. However, the registered intermediary shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.

- vi. 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.
- vii. 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.
- viii. The CDD process shall necessarily be revisited when there are suspicions of ML/TF.

Client identification procedure

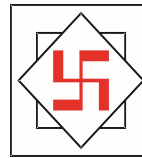
19. The KYC policy shall clearly spell out the client identification procedure (CIP) to be carried out at different stages i.e. while establishing the intermediary – client relationship, while carrying out transactions for the client or when the intermediary has doubts regarding the veracity or the adequacy of previously obtained client identification data.

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20. Registered intermediaries shall be in compliance with the following requirements while putting in place a CIP:

- i. All registered intermediaries 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.
- ii. All registered intermediaries are required to 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, registered intermediaries shall obtain senior management approval to continue the business relationship.
- iii. Registered intermediaries shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
- iv. The client shall be identified by the intermediary by using reliable sources including documents / information. The intermediary shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- v. The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the intermediary in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.
- vi. Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority within the intermediary.

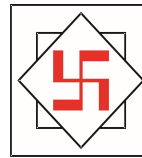
21. SEBI has specified the minimum requirements relating to KYC for certain classes of registered intermediaries from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been specified or which may be specified by SEBI from time to time, all registered intermediaries shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices.

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22. Further, the intermediary 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 there under so that the intermediary is aware of the clients on whose behalf it is dealing.

23. Every intermediary 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 registered intermediaries (brokers, depository participants, AMCs etc.) 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 registered intermediaries. This shall be strictly implemented by all registered intermediaries and non-compliance shall attract appropriate sanctions.

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

24. Registered intermediaries may rely on a third party for the purpose of-

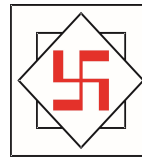
- i. Identification and verification of the identity of a client and Determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and

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record-keeping requirements in line with the obligations under the PML Act.

25. 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. In terms of Rule 9(2) of PML Rules:

- i. The registered intermediary shall immediately obtain necessary information of such client due diligence carried out by the third party;
- ii. The registered intermediary shall take adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;
- iii. The registered intermediary shall be satisfied that such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;
- iv. The third party is not based in a country or jurisdiction assessed as high risk;
- v. The registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

Risk Management

Risk-based Approach

26. Registered intermediaries shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and should have policies approved by their senior management, controls and procedures in this regard. Further, the registered intermediaries shall monitor the implementation of the controls and enhance them if necessary.

27. 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 due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that the registered intermediaries shall adopt an enhanced client due diligence process for higher

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risk categories of clients. Conversely as amplified 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 registered intermediaries shall obtain necessarily depend on the risk category of a particular client.

28. Further, low risk provisions shall not apply when the rare suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk.

Risk Assessment

29. 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.

30. 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.

31. The Stock Exchanges and registered intermediary shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and existing products. The Stock Exchanges and registered intermediaries shall ensure:

- a. To undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and
- b. Adoption of a risk based approach to manage and mitigate the risks.

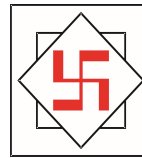
32. The risk assessment shall also take into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of

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individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions.

Monitoring of Transactions

33. Regular monitoring of transactions is vital for ensuring effectiveness of the AML procedures.

This is possible only if the intermediary has an understanding of the normal activity of the client so that it can identify deviations in transactions / activities.

34. The intermediary shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. The intermediary 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/FIU-IND/other relevant Authorities, during audit, inspection or as and when required.

35. The registered intermediaries shall apply client due diligence measures also to existing clients on the basis of materiality and risk, and conduct due diligence on such existing relationships appropriately. The extent of monitoring shall be aligned with the risk category of the client.

36. The intermediary 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 within the intermediary.

37. Further, the compliance cell of the intermediary 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.

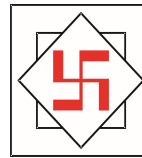
Suspicious Transaction Monitoring and Reporting

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38. Registered Intermediaries 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, registered intermediaries shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

39. 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:

- i Clients whose identity verification seems difficult or clients that appear not to cooperate;
- ii Asset management services for clients where the source of the funds is not clear or not in keeping with clients' apparent standing /business activity;
- iii Clients based in high risk jurisdictions;
- iv Substantial increases in business without apparent cause;
- v Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- vi Attempted transfer of investment proceeds to apparently unrelated third parties;
- vii Unusual transactions by CSC sand businesses undertaken by offshore banks/financial services.

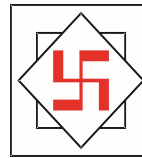
40. Any suspicious transaction shall be immediately notified to the **Designated /Principal Officer** within the intermediary. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature/reason of suspicion. However, it shall be ensured 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 Designated/ 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

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and other relevant information.

41. 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. It is clarified that registered intermediaries shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.
42. Paragraph 18 (iii) (f) of this Circular 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'. Registered intermediaries are directed that 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.

Record Management

Information to be maintained

43. Registered Intermediaries are required to maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:
- the nature of the transactions;
 - the amount of the transaction and the currency in which it is denominated;
 - the date on which the transaction was conducted; and
 - the parties to the transaction.

Record Keeping

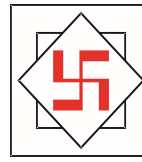
44. Registered intermediaries shall ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Byelaws and Circulars.

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45. Registered Intermediaries 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.

46. In case of any suspected 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, registered intermediaries shall retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:

- i. The beneficial owner of the account;
- ii. The volume of the funds flowing through the account; and
- iii. For selected transactions:
 - a. The origin of the funds
 - b. The form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
 - c. The identity of the person undertaking the transaction;
 - d. The destination of the funds;
 - e. The form of instruction and authority.

47. Registered Intermediaries 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 thereunder PMLA, other relevant legislations, Rules and Regulations or Exchange byelaws or circulars.

48. More specifically, all the registered intermediaries shall put in place a system of maintaining proper record of the nature and value of transactions which has been prescribed under Rule 3 of PML Rules as mentioned below:

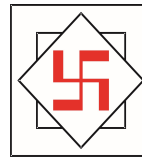
- i. all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign

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currency;

- ii. all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh 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;

It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered.

- iii. 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;
- iv. all suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into or from any non-monetary account such as demat account, security account maintained by the registered intermediary.

49. Where the registered entity does not have records of the identity of its existing clients, it shall obtain the records forthwith, failing which the registered intermediary shall close the account of the clients after giving due notice to the client.

Explanation: For this purpose, the expression "records of the identity of clients" shall include updated records of the identification date, account files and business correspondence and result of any analysis undertaken under Rules 3 and 9 of the PML Rules.

Retention of Records

50. Registered intermediaries 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 have to be maintained and preserved for a period of five years from the date of transactions between the client and intermediary.

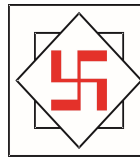
51. As stated in paragraph 19 and 20, registered intermediaries are required to formulate and implement the CIP containing the requirements as laid down in Rule 9 of the PML Rules and

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such other additional requirements that it considers appropriate. 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 intermediary has ended or the account has been closed, whichever is later.

52. 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.

53. Registered Intermediaries shall maintain and preserve the records of information related to transactions, whether attempted or executed, which are Reported to the Director, FIU-IND, as required under Rules 7 and 8 of the PML Rules, for a period of five years from the date of the transaction between the client and the intermediary.

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

54. The Stock exchanges and the registered intermediaries shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA) and amendments thereto, they do not have any accounts in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC).

55. In order to ensure expeditious and effective implementation of the provisions of Section 51A of UAPA, Government of India has outlined a procedure through an order dated February 02, 2021 ([Annexure 1](#)) for strict compliance. These guidelines have been further amended vide a Gazette Notification dated June 08, 2021 ([Annexure 2](#)). Corrigendums dated March 15, 2023 and April 22, 2024 have also been issued in this regard ([Annexure 3](#)) and ([Annexure 4](#)). The list of Nodal Officers for UAPA is available on the website of MHA.

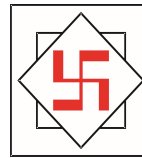
Procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 – Directions to stock exchanges and registered intermediaries

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56. The Government of India, Ministry of Finance has issued an order dated January 30, 2023 vide F. No. P-12011/14/2022-ES Cell-DOR (“the Order”) detailing the procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (“WMD Act”). The Order may be accessed by clicking on [DoR_Section_12A_WMD.pdf](#).

57. 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.”

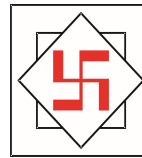
58. The stock exchanges and registered intermediaries are directed to comply with the procedure laid down in the said Order.

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59. The stock exchanges and registered intermediaries shall:

- (i) Maintain the list of individuals/entities (“**Designated List**”) and update it, without delay, in terms of paragraph 2.1 of the Order;
- (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, stock exchanges and registered intermediaries 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 Central Nodal Officer (“CNO”), without delay. The details of the CNO are as under:

The Director

FIU-INDIA

Tel.No.:011-23314458,011-23314459(FAX)

Email:dir@fiuindia.gov.in

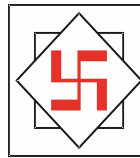
- (iii) run a check, on the given parameters, at the time of establishing a relation with a client and on a periodic basis to verify whether individuals and entities in the Designated List are holding any funds, financial assets or economic resources or related services, in the form of bank accounts, 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 59(ii) and 59(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

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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 the reare reasons to believe beyond doubt that funds or assets held by a client would fall under the purview of Section12A(2) (a) or Section12A(2)(b) of the WMD Act;
- (vi) file a Suspicious Transaction Report(STR) with the FIU-IND covering all transactions in the accounts, covered under paragraphs 59(ii) and (iii) above, carried through or attempted through.

60. 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 anyfunds,financialassetsoreconomicresourcesorrelatedservicesavailable for the benefit of the designated individuals/entities.

61. Reporting entities shall also comply with the provisions regarding exemptions fromtheaboveordersoftheCNOandinadvertentfreezingofaccounts,as may be applicable.

List of Designated Individuals/Entities

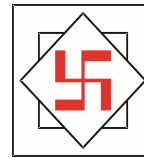
62. The Ministry of Home Affairs, in pursuance of Section 35(1) of UAPA 1967, declares the list of individuals/entities, from time to time, who are designated as 'Terrorists'. The registered intermediaries shall take note of such lists of designated individuals/terrorists, as and when communicated by SEBI.

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63. All orders under section 35 (1) and 51A of UAPA relating to funds, financial assets or economic resources or related services, circulated by SEBI from time to time shall be taken note of for compliance.

64. An updated list of individuals and entities which are subject to various sanctions 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](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.

65. Registered intermediaries are directed to ensure that accounts are not opened in the name of anyone whose name appears in said list. Registered intermediaries shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list.

66. The Stock Exchanges and the registered intermediaries shall maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether the designated individuals/ entities are holding any funds, financial assets or economic resources or related services held in the form of securities with them.

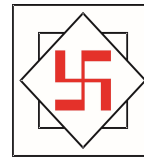
67. The Stock Exchanges and the registered intermediaries shall leverage latest technological innovations and tools for effective implementation of name screening to meet the sanctions

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requirements.

68. The Stock exchanges and the registered intermediaries shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions

Carried through or attempted In the accounts covered under the list of designated individuals/entities under Section 35 (1) and 51A of UAPA.

List /link of UAPA: <https://www.mha.gov.in/en/commoncontent/notifications-under-unlawful-activities-prevention-act-uapa-1967>

<https://www.mha.gov.in/sites/default/files/A1967-37.pdf>

69. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to the Central [designated] Nodal Officer for the UAPA, at Fax No. 011-23092551 and also conveyed over telephone No. 011-23092548. The particulars apart from being sent by post shall necessarily be conveyed on email id: jsctcr-mha@gov.in.

70. The Stock exchanges and the registered intermediaries shall also send a copy of the communication mentioned above to the UAPA Nodal Officer of the State/UT where the account is held and to SEBI and FIU-IND, without delay. The communication shall be sent to SEBI through post and through email (sebi_uapa@sebi.gov.in) to the UAPA 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. The consolidated list of UAPA Nodal Officers is available at the website of Government of India, Ministry of Home Affairs.

Jurisdictions that do not or insufficiently apply the FATF Recommendations

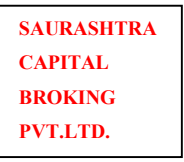
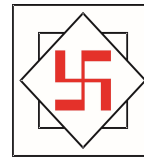
71. FATF Secretariat after conclusion of each of its plenary, releases public statements and places jurisdictions under increased monitoring to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing risks. In this regard, FATF Statements circulated by SEBI from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be

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considered by the registered intermediaries.

72. The registered intermediaries shall take into account the risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statements. However, it shall be noted that the regulated entities are not

Precluded from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statements.

List/link of high-risk jurisdictions as per FATF: <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-june-2024.html>

<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Call-for-action-june-2024.html>

<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-october-2024.html>

Reporting to Financial Intelligence Unit-India

73. In terms of the PML Rules, registered intermediaries are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND,

Financial Intelligence Unit - India

6th Floor, Tower-2, Jeevan Bharati Building,

Connaught Place, New Delhi-110001, INDIA Telephone : 91-

11-23314429, 23314459

91-11-23319793 (Helpdesk) Email: helpdesk@fiuindia.gov.in (For FINnet and general queries)

ctrcell@fiuindia.gov.in

(For Reporting Entity/Principal Officer registration related queries) complaints@fiuindia.gov.in

Website: <http://fiuindia.gov.in>

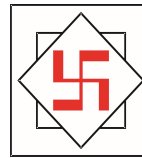
74. Registered intermediaries shall carefully go through all the reporting requirements

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([https://www.sebi.gov.in/sebi_data/commondocs/jun-2024/Brochures on FIU p.pdf](https://www.sebi.gov.in/sebi_data/commondocs/jun-2024/Brochures_on_FIU_p.pdf)) and formats that are available on the website of FIU-IND under the Section Home-FINNET2.0–UserManualsandGuides

-Reporting Format (https://www.sebi.gov.in/sebi_data/commondocs/jun-2024/Reporting_Format_p.pdf). These documents contain detailed directives on the compilation and manner/procedure of submission of the reports to FIU- IND.

The related hardware and technical requirement for preparing reports, the related data files and data structures thereof are also detailed in these documents. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, registered intermediaries shall adhere to the following:

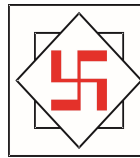
- i. The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month;
- ii. The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall on being satisfied that the transaction is suspicious, furnish the information promptly in writing by fax or by electronic mail to the Director in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 of the PML Rules. 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;
- iii. The Non Profit Organization Transaction Reports (NTRs) for each shall be submitted to FIU-IND by 15th of the succeeding month;
- iv. The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;
- v. Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND;
- vi. No NIL reporting needs to be made to FIU-IND in case there are no cash/ suspicious/non-profit organization transactions to be reported;

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- vii. “Non-profit organization” means any entity or organisation, constituted for religious or charitable purposes referred to in clause (15) of section 2 of the Income-tax Act, 1961 (43 of 1961), that is registered as a trust or a society under the Societies Registration Act, 1860 (21 of 1860) or any similar State legislation or a Company registered under section 8 of the Companies Act, 2013 (18 of 2013);
- viii. Every registered intermediary, its Directors, officers and all employees shall ensure that the fact of maintenance referred to in Rule 3 of PML Rules and furnishing of information to the Director is kept confidential.

Provided that nothing in this rule shall inhibit sharing of information under Rule 3A of PML Rules of any analysis of transactions and activities which appear unusual, if any such analysis has been done.

75. Registered Intermediaries shall not put any restrictions on operations in the accounts where an STR has been made. Registered intermediaries and their 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 the registered intermediaries, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime.

It is further clarified that "proceeds of crime" include property not only derived or obtained from the scheduled offence but also any property which may directly or indirectly be derived or obtained as a result of any criminal activity relating to the scheduled offence.

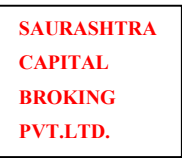
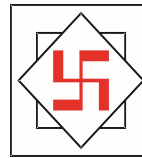
Confidentiality requirement does not inhibit information sharing among entities in the group.

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Designation of officers for ensuring compliance with provisions of PMLA

76. Appointment of a Principal Officer: To ensure that the registered intermediaries properly discharge their legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors. Names, designation and addresses (including email addresses) of 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU-IND. In terms of Rule 2 (f) of the PML Rules, the definition of a Principal Officer reads as under:

Principal Officer means an officer designated by a registered intermediary; Provided that such officer shall be an officer at the management level.

77. Appointment of a Designated Director: 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 –

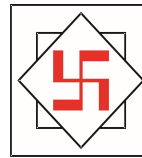
- a) The Managing Director or a Whole-Time Director duly authorized by the Board of Directors if the reporting entity is a company,
- b) The managing partner if the reporting entity is a partnership firm,
- c) The proprietor if the reporting entity is a proprietorship firm,
- d) The managing trustee if the reporting entity is a trust,
- e) 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

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- f) 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”.

78. In terms of Section 13 (2) of the PMLA, 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.

79. Registered intermediaries shall communicate the details of the Designated Director, such as, name designation and address to the Office of the Director, FIU – IND.

Hiring and Training of Employees and Investor Education

80. Hiring of Employees: The registered intermediaries 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.

81. Training of Employees: The registered intermediaries 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.

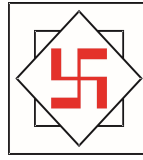
82. Investor Education: Implementation of AML/CFT measures requires registered intermediaries to demand certain information from investors which may be of personal nature or has hitherto never been called for. Such information can include documents evidencing source of funds/ income tax returns/bank 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 registered intermediaries to sensitize their clients about these requirements as the ones

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emanating from AML and CFT framework.

Registered intermediaries shall prepare specific literature/pamphlet etc. so as to educate the client of the objectives of the AML/CFT programme.

Repeal and Savings

83. On and from the issue of this Circular, the circulars listed out in the Appendix to this Circular shall stand rescinded. Notwithstanding such rescission, anything done or any action taken or purported to have been done or taken, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular.

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