

# **C D COMMODITIES BROKING LTD.**

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## **ANTI MONEY LAUNDERING POLICY**

**Reviewed on 22-11-2024**

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## 1. Background

1.1. Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, as per these FMC guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by FMC.

## 2. What is Money Laundering?

2.1 Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/origins.

This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

## 3. Prevention of Money Laundering Act, 2002

3.1. Prevention of Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July 1, 2005.

3.2. The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including stock brokers and sub-brokers) to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU) - INDIA

## 4. Financial Intelligence Unit (FIU) – INDIA

4.1. The Government of India set up Financial Intelligence Unit-India (FIU-IND) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

4.2. FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

## 5. Policy

5.1. We has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame-work to report cash and suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002

## 6. Implementation of this Policy

6.1. Our Principal Officer who will be responsible for compliance of the provisions of the PMLA and AML Guidelines and will be responsible to report suspicious transactions if any to the concerned authorities.

6.2. The main aspect of this policy is the Customer Due Diligence Process which means: Obtaining sufficient information about to the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted. Verify the customer's identity using reliable, independent source document, data or information. Conduct time and again due diligence and scrutiny of the account/client to ensure that the transaction conducted are consistent with the client's trading pattern

6.3. The Customer Due Diligence Process includes three specific parameters :

Policy for Acceptance of Clients Client Identification Procedure Suspicious Transactions identification & reporting

## 7. Customer Acceptance Policy

7.1. Clients accepted only through the know people, branched or Sub-broker or authorized persons. Walk in clients are not to be encouraged. Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client. Accepts client on whom we are able to apply appropriate KYC procedures: Obtain complete information from the client. It should be ensured that the initial forms taken by the client are filled properly. All photocopies of proof are submitted by the client at the time of opening account without any exception. Ensure that the 'Know Your Client' guidelines are followed.

All supporting documents as specified by Securities and Exchange Board of India (SEBI), FMC and Exchanges are obtained and verified

Do not accept clients with identity matching persons known to have criminal background. Check whether the client's identify matches 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/regulatory agency worldwide Be careful while accepting Clients of Special category

**We should be careful while accepting clients** of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed share holding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange, etc.) or clients from high-risk countries or clients belonging to countries where corruption/fraud level is high Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category

**Do not accept client registration forms which are suspected to be fictitious**

Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.

**Do not compromise on submission of mandatory information/ documents**

Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.

7.2. Customer Identification Procedure (FOR NEW CLIENTS) Objective is to have a mechanism in place to establish identity of the client along with firm proof of address to prevent opening of any account which is fictitious / benami / anonymous in nature.

**Documents which can be relied upon:**

PAN Card PAN card is mandatory and is most reliable document as only one card is issued to an individual and we can independently check its genuineness through IT website.

#### IDENTITY Proof

PAN Card itself can serve as proof of identity. However, in case PAN card carries an old photograph of the holder, which does not match current facial features of the client, we should take other identity proof in form of Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card.

#### ADDRESS Proof

For valid address proof we can rely on Voter's Identity Card, Passport, Bank Statement, Ration card and latest Electricity/telephone bill, rent agreement in the name of the client.

#### **Documents to be obtained as part of customer identification procedure for new clients:**

a. In case of individuals, one copy of the following documents have to be obtained :

As PAN is mandatory, verify its genuineness with IT website and cross verify the PAN card no. Other proofs for identity are Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card or any other document prescribed by the regulatory authorities. Address proof in the form of Voter's Identity Card, Passport, Bank Statement, Ration card , rent agreement and latest Electricity/telephone bill in the name of the client or any other document prescribed by the regulatory authorities. Resent Photo Bank details Demat Details

b. In case of corporate, one certified copy of the following documents must be obtained: Copy of the Registration/Incorporation Certificate Copy of the Memorandum & Articles of the Association Copy of the PAN card of company Copy of the latest audited Annual Statements of the corporate company. Latest Income Tax return filed. Board Resolution for appointment of the Authorized Person who will operate the account. Proof of address and identity of Authorized

Person Resent Photo Authorized Person Bank details ,Demat Details

c. In case of partnership firm one certified copy of the following must be obtained: Registration certificate Partnership Deed PAN card of partners Authorization letter for the person authorized to open and operate the account Proof of identity and address of the authorized person. Annual statement/returns of the partnership firm Resent Photo partners Bank details Demat Details

d. In case of a Trust, one certified copy of the following must be obtained: Registration certificate Trust Deed PAN card Authorization letter for the entity authorized to act on their behalf Officially valid documents like PAN card, voters ID, passport, etc of person(s) authorized to transact on behalf of the Trust. Resent Photo of authorized person Bank details Demat Details

e. In case of HUF following must be obtained: PAN Card of HUF, PAN card of Karta, Photo of Karta, Declaration by karta giving list of members, Cancel cheque with signature on karta on it, Karta identity proof, Karta address proof Resent Photo Karta Bank details ,Demat Details

## 8. Risk Profiling of the Client

8.1. The aim is to identify clients who are likely to pose a higher than average risk of money laundering or terrorist financing. For this purpose, we need to classify the clients as Low risk, medium risk and high risk clients. By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high risk client we have to apply higher degree of due diligence. The factors of risk perception depend on client's location, nature of business activity, turnover, nature of transaction, manner of payment etc.

8.2. The risk profiling of client is can be done by risk management department following categories may be adopted in order to achieve this objective category: Category A – Low Risk Category B – Medium Risk Category C – High risk

Category A Clients are those pose low or nil risk. They are good corporates/HNIs who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares. Category B clients are those who are intra-day clients or have low risk appetite . Category C clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc.

8.3. We have to be careful while monitoring the transactions of C category clients.

## 9. Suspicious Transactions

All are requested to analyze and furnish details of suspicious transactions, whether or not made in cash. It should be ensured that there is no undue delay in analysis and arriving at a conclusion.

9.1. What is a Suspicious Transaction: Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith, gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or Appears to be made in circumstance of unusual or unjustified complexity; or Appears to have no economic rationale or bona fide purpose

Reasons for Suspicious: Identity of client

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Clients in high-risk jurisdiction
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities
- Receipt back of well -come kit undelivered at the address given by the client
- Suspicious background or links with criminals Multiple Accounts
  
- Large number of accounts having a common parameters such as common partners / directors / promoters / address/ email address / telephone numbers introducer or authorized signatory
  - Unexplained transfers between such multiple accounts.
  - Unusual activity compared to past transactions
  - Use of different accounts by client alternatively
  - Sudden activity in dormant accounts
  - Activity inconsistent with what would be expected from declared business s
  - Account used for circular trading Nature Of Transactions
  
- Unusual or unjustified complexity
- No economic rationale or bonafied purpose
- Source of funds are doubtful
- Appears to be case of insider trading
- Purchases made on own account transferred to a third party through an off market transactions through DP account
- Transactions reflect likely market manipulations

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

#### Suspicious Background

Activity In Accounts 9.2. What to Report The nature of the transactions The amount of the transaction and the currency in which it was denominated The date on which the transaction was conducted: and The parties to the transaction. The reason of suspicion. In case any further information /clarification is required in this regard, the 'Principal Officer' may be contacted at head office

This Policy shall be review as and when regulatory changes occur.