



Harendra D. Mehta Share & Stock Broker Pvt. Ltd.

MEMBER > NSE Equity Segment > BSE Equity Segment

Stock Exchange Rotunda Building, PG -12, Ground Floor, Mumbai Samachar Marg, Mumbai - 400 001.

Phone : 2272 2392 / 2272 2190 / 2272 2546 / 2272 2548 • E-mail : bhm264@gmail.com

CIN : U67120MH1997PTC110950 • GSTIN : 27AAACH2890J1ZE

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

1. Firm Policy

It is the policy of the firm to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Money Laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets.

2. Principal Officer Designation and Duties

The firm has a Principal Officer for its Anti Money Laundering Program, who takes full responsibility for the firm's AML program and is qualified by experience, knowledge and training. The duties of the Principal Officer will include monitoring the firm's compliance with AML obligations and overseeing communication and training for employees. The Principal Officer will also ensure that proper AML records are kept. When warranted, the Principal Officer will ensure filing of necessary reports with the Financial Intelligence Unit (FIU - IND)

3. Customer Identification and Verification

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

Constitution of Client	Proof of Identity	Proof of Address	Others
Individual	1. Pan Card	2. Copy of Bank Statement etc.	3. N.A.
Company	4. Pan Card 5. Certificate of incorporation 6. Memorandum and Articles of Association 7. Resolution of Board of Directors	8. As above	9. Proof of Identity of the Directors/Others authorized to trade on behalf of the firm
Partnership Firm	10. Pan Card 11. Registration Certificate 12. Partnership Deed	13. As above	14. Proof of Identity of the Partners/Others authorized to trade on behalf of the firm
Trust	15. Pan Card 16. Registration Certificate 17. Trust deed	18. As above	19. Proof of Identity of the Trustees/others authorized to trade on behalf of the trust
AOP/BOI	20. Pan Card 21. Resolution of the managing body 22. Documents to collectively establish the legal existence of such an AOP/BOI	23. As above	24. Proof of Identity of the Persons authorized to trade on behalf of the AOP/BOI

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

26. All PAN Cards received will be verified from the Income Tax/NSDL website before the account

is opened.

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

4. Maintenance of records

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

- * all cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
- * all series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month;
- * all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- * all suspicious transactions whether or not made in cash. Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith -
 - gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
 - appears to be made in circumstances of unusual or unjustified complexity; or
 - appears to have no economic rationale or bonafide purpose; or
 - gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism

The records shall contain the following information :

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

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

5. Monitoring Accounts For Suspicious Activity

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

- * The customer exhibits unusual concern about the firm's compliance with government reporting requirements and the firm's AML policies (particularly concerning his or her identify, type of business and assets), or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspicious identification or business documents.
- * The customer wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer's stated business or investment strategy.
- * The information provided by the customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.
- * Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.
- * The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
- * The customer exhibits a lack of concern regarding risks, commissions or other transaction costs.
- * The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.
- * The customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.
- * The customer attempts to make frequent or large deposits or currency, insists on dealing only in cash, or asks for exemptions from the firm's policies relating to the deposit of cash.
- * The customer engages in transactions involving cash or cash equivalents or other monetary instruments that appear to be structured to avoid the Rs. 10,00,000 government reporting

requirements, especially if the cash or monetary instruments are in an amount just below reporting or recording thresholds.

- * For no apparent reason, the customer insists for multiple accounts under a single name or multiple names, with a large number of inter-account or third party transfers.
- * The customer engages in excessive journal entries between unrelated accounts without any apparent business purpose.
- * The customer requests that a transaction be processed to avoid the firm's normal documentation requirements.
- * The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities, such as Z group and T group stocks, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)
- * The customer's account shows as unexplained high level of account activity
- * The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.
- * The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer.

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

i. Identity of Client

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

ii Suspicious Background

- Suspicious background or links with known criminals

iii Multiple Accounts

- Large number of accounts having a common account holder, introducer or authorized signatory with no rationale
- Unexplained transfers between multiple accounts with no rationale

iv Activity in Accounts

- Unusual activity compared to past transactions
- Use of different accounts by client alternatively
- Sudden activity in dormant accounts
- Activity inconsistent with what would be expected from declared business

v Nature of Transactions

- Unusual or unjustified complexity
- No economic rationale or bonafide purpose
- Source of funds are doubtful
- Appears to be case of insider trading
- Investment proceeds transferred to a third party
- Transactions reflect likely market manipulations
- Suspicious off market transactions

vi 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