



# J V EQUITIES PVT. LTD.

Member of NSE-CDSL-MCX-NCDEX

**J V EQUITIES PRIVATE LIMITED**  
**Stock Broker/Depository Participant**  
**Guidelines on Anti-Money Laundering Standards**  
[Prevention of Money Laundering Act, 2002 (PMLA)]  
(Review Date: 29/03/2023)

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**PRINCIPAL OFFICER & DESIGNATED DIRECTOR: Mr. Paresh A. Kotak**

## J V EQUITIESPRIVATE LIMITED

### Background:

Pursuant to the recommendations made by the financial Action task force on Anti Money Laundering standards vide their notification No.ISD/CIR/RR/AML/1/06 dated 18th January 2006 and vide Circular number CIR/MIRSD/1/2014 dated March 12th, 2014 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. As per these SEBI 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 SEBI. This is also with reference to the SEBI Master circular No SEBI/HO/DOP/PCIR/P/2019/113dated October 15, 2019 and **SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023.**

### Money Laundering

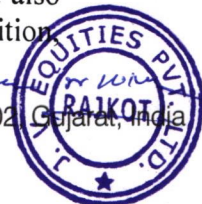
Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received legitimate sources / origins.

### Prevention of Money Laundering Act, 2002

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 2005. 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 Finance Intelligence Unit (FIU) – INDIA.

### Policy & Procedures of J V EQUITIES PRIVATE LIMITED

J V EQUITIES PRIVATE LIMITED has resolved that it would fully implement the systems and the measures to prevent Money Laundering to combat Financial Terrorism to put in place a system, procedure to generate alerts / suspicious transactions and to report them to FIU if required. The policy would be created by the management and also the same would be implemented in a very systemic manner. The Policy would try to cover all the aspects and also the same would be reviewed regularly (atleast once in a year), the appropriate changes, addition deletion would take place as and when the management may feel so.



### **Implementation of This Policy**

The Principal Officer, Mr. PARESH A. KOTAK along with the other members of the senior management will be responsible for compliance of the provisions of the PMLA and AML Guidelines act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions. Ensure that J V EQUITIES PRIVATE LIMITED discharges its legal obligation to report suspicious transactions to the concerned authorities.

### **Customer Acceptance Policy & Client Identification Procedure (CIP):**

J V EQUITIES PRIVATE LIMITED as a company does not resort to aggressive advertising and not even advertisements so most part of the clients are either through the Sub Broker/Authorised Person (AP) and the Branch Network or through the remisers. The Head / Corporate office only constitutes more than half the clients. In most cases the new client would generally be introduced through an existing client and, or through the reference of some known person in the nearby Vicinity.

In Person Verification is done for all the clients and the client's premises are visited for personal verification. The Original proofs also verified. In cases whenever the office employee who has gone for in person verification and the client is found to be suspicious in nature, the same is brought to the notice that senior management and one of them would cross examine that client. In a few cases clients have been denied to open the account on account of lack of transparency and absence of client proof at the mentioned address on the KYC. By checking the records with the client in the debarred list before opening the client account, it is also verified that the client is not a part of the Debarred List. This will help us in not opening erroneously account of a debarred client or entity. The lists used are

1. SEBI Debarred List
2. UNSC
3. PEP
4. OFAC (Office of Foreign Access and Control given by US Treasury Department)

If a client is found matching with OFAC, UNSC or with SEBI Debarred list we would not open the account and immediately inform the Principal Officer/Management for further action.

If a client is a Politically Exposed Person we will not open the account without prior written consent of the management. And after opening this account will be immediately classified as CSC.

Extra care is taken while handling a new account of an NRE repatriable client or for that matter any client who seems to be a part of the Clients with Special Category (CSC). High scrutinization of documents will be done in these cases and additional documents may be called for satisfaction.

No relaxation on any information is provided, the client is not allowed to skip providing any mandatory information or documentation and all clients are necessarily made to comply with all kind of documents.



Summarizing the steps of Opening the account are as below:

1. Checking for KYC and mandatory information in the form.
2. In person verification (IPV)
3. Verification with original documents
4. Checking of client with screening database consisting of four sources i.e. SEBI, UNSC, PEP (PEP Detailed handling explained) and OFAC (Office of Foreign Assets Control).
5. Verification of Pan with Income Tax Database.
6. CSC marking.( Detailed handling explained)
7. Dispatch Photocopies of KYC and Welcome Letter on the address mentioned in the account opening form.
8. Welcome Email along with login details of back office and password to clients sent to their designated Email address.
9. We also verify email addresses and mobile numbers of clients to ensure that two accounts of different families are not having the same email address or mobile no.

**Written Anti Money Laundering Procedures:**

It shall adopt written procedures to implement the antimoney 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) Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR).

**Client Due Diligence:**

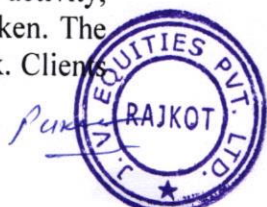
It basically means Customer due diligence which is nothing but an ongoing process consisting of broadly three parts.

- (1) Customer acceptance policy,
- (2) Client Identification and
- (3) Generation of suspicious transaction, monitoring, reviewing and reporting if required.

**Policy for acceptance of clients:**

It 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:

- a) No account is opened in a fictitious / benami name or on an anonymous basis.
- b) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients



of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.

- c) Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.
- d) Ensure that an account is not opened where the intermediary is unable to apply appropriate CDD measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to the intermediary is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. The market intermediary shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. The market intermediary shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the market intermediary shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.
- e) The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with the intermediary, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.
- f) Necessary checks and balance to be put into place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide
- g) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

### **Client identification procedure**

The KYC policy shall clearly spell out the client identification procedure to be carried out to 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.

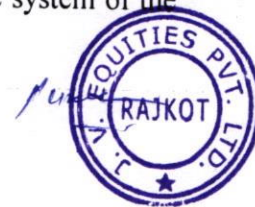
### **Procedure for Beneficial ownership and name of person controlling the client**

The procedure broadly two aspects of identify the controlling or the beneficial ownership.

1. KYC Details
2. Trading Pattern

### **KYC Details**

For all non-individual accounts mentioned below the detail should be added to the system of the key person.



The following categories are eligible for this

1. Corporate Accounts: This could be directors, authorised signatories, share holders etc....
2. HUF Accounts: The Karta, Co Parceners etc..
3. Trust: The trustee details will be captured.
4. Partner Ship Firm: The partner details will be captures as key persons.
5. LLP : Details of Designated partners and Partners will be captured.
6. Association of Persons.

Following details will be entered for every Key Person

First Name

Middle Name

Last Name

Designation: Partner/Director/Karta etc...

Email

Mobile

PAN

Share Holding %

Number of Shares

Address Line 1

Address Line 2

Address Line 3

City

State

Pin

Country

Further system will alert, if the same key people are common in accounts

### **Trading Pattern:**

The system has a scenario which helps identify clients that have a similar trading pattern. This could help us to identify or give an indicator that a few clients actually have a common controller.

### **Brief procedure: PEP identification and due diligence**

#### **PEP Identification:**

There are 3 ways that a client could be marked as a politically exposed person

**1. KYC Form:** The client voluntarily declares that he is a PEP or relative of PEP. Provisions have been made and in the client account opening form the clients fills up if he is eligible.

**2. Employee or Sub Broker Indication:** An employee or the Sub Broker or any channel which may know that the client is PEP or a relative of PEP is encouraged to inform the management or the compliance team about the same. Effort is constantly being made to make the employees aware of the importance of identifying PEP or a relative of a PEP.

**3. Screening Database:** The Screening solution has a PEP database which also contains PAN numbers, the new client and the existing clients are screened through this to identify PEP or a relative of PEP.

**4. PEP Approval:** There are two possibilities when approval for PEP is required.

1. Before opening the account: If a proposed customer is recognised as PEP. Then the senior management approval is required to open the account.



2. After opening the account: In case if it is later realised after opening the account that the account is PEP then the same will be immediately brought to the notice of the senior management and the relationship will only be continued after the approval.

### **PEP Due diligence after identification and approval**

1. The client will be marked as a special category
2. The client will be marked as a high risk
3. PEP is marked as High Risk Client. Enhanced due diligence is performed by making them a part of enhanced transaction monitoring which is combined with an intelligent grading system in the form of points where additional mark up is given in the form of negative points separate for high risk clients. The records generated through this are specific and focusing on higher risk clients and filters the records so as to exercise enhanced due diligence on such transactions. The RMS team checks such transactions by identifying nature of such transactions, if required calls up clients, branch head, sub broker to understand the transaction. If required, the client is called upon to submit supporting documents in the matter of such transactions.

### **Special Category Clients**

The categorization of the clients is done in special category at the account opening stage itself immediately. In some cases like if a clients reputation is known to be not good after the account is opened or a another account with same beneficiaries is opened then both old and new accounts are to be marked as special category.

The following are the Special Categories that are currently created and clients are being categorized in these whenever applicable. The Solution used also has provisions for creating more and more special categories as and when required.

1. NRI
  2. High Net Worth Client
  3. Trust, Charity, NGOs and organizations receiving donations
  4. Close family shareholdings or Beneficial Ownership (Private Company/ LLP/ Partnership Firm)
  5. Politically Exposed Persons (PEP) or PEP of Foreign Origin
  6. Current/ Former Head of State, Current or Former Senior High Profile politicians and connected persons (Immediate Family, close advisors and companies in which such individuals have interest or significant influence)
  7. Company offering foreign Exchanges
  8. Non Face to Face Client
  9. Client with dubious Public Reputation
1. **NRI:** While opening NRI account utmost care should be exercised. While opening an NRI Repatriable or NRI Non Repatriable we collect the following documents from the clients:

NRI Repatriable/Non Repatriable

- Pan Card Copy
- Passport Copy
- Indian Address Proof
- Cancelled Cheque copy of NRE A/c



- PIS Permission issued from RBI.
- NRI Address Proof
- Bank Statement Copy.
- Client Master Copy for demat account.

2. **High Networth Clients:** High networth clients could be classified if at the account opening stage or during the course of the relationship, it is realized that the client's investments or the appetite for investment is high.
3. **Trust, Charity, NGOs and Organizations receiving donations:** Both public as well private, registered as well non registered trust will have to be classified in the special category. Any Charitable or Non-governmental organization or a no Profit Organization will be also classified herein.
4. **Close family shareholdings or Beneficial Ownership:** In case of close family shareholdings the objective is to understand whether the beneficiaries i.e. Private Company/ LLP / Partnership in which same family member or any individual holds more than 2/3<sup>rd</sup> Holding, then both need to be marked under this special category.
5. **Politically Exposed Persons:** In case PEPs care is taken will opening the account as the same is opened only after opening account with the consent of the senior management and all the required documents are collected.
6. **Current/ Former Head of State, Current or Former Senior High Profile politicians and connected persons (Immediate Family, close advisors and companies in which such individuals have interest or significant influence) :** In such case care is taken where such account opened with the due consent of Senior Management and Obtaining of necessary documents and declaration if required.
7. **Company offering foreign Exchanges:** At the account opening stage if it is come to our knowledge that the individual or the entity is registered foreign exchange dealer, then the same may be categorized.
8. **Non Face to Face Client:** In person verification is done for all clients. But there may be clients who may register a power for somebody else in their account and in that scenario as the account would be controlled not by the account holder but by some other individual we would treat as a non face to face account and the same would be categorized accordingly.
9. **Client with dubious Public Reputation:** If a client's reputation during the opening of the account or post opening the account is known to be not good, then the same is marked in this special category.

#### Risk Profiling Of the Client

We should accept the client based on the risk they are likely to pose. The aim is to identify clients who are likely to pose a higher than average risk of money laundering or terrorist financing. 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. In order to achieve this, all clients should be classified in the following category;

Low  
Medium  
High  
Clients of Special Category



It is extremely important to understand that the financial risk is different from the Money laundering risk and this will be covered in the training sessions and other interactions that happen with staff in reference to Anti Money Laundering of CFT.

### **Implementation of the Risk Profiling Policy**

There are two different stages where the risk profiling of the client could be done or upgraded.

**Registration Risk:** This is the risk profile which is given to the client at the time of registering the client with our organization.

**Review of Risk constantly after the Registration:** This is basically continuously reviewing the client and to upgrade the clients risk whenever required from lower level to the higher level. Both above stages are detailed as follows;

#### **Registration Risk**

Once the Account opening team has checked that if the new client is not appearing in the sanction screening and the appropriate required documents like address proof and others are present, it is an appropriate time to allot a risk profile to the client.

It will be the responsibility of the Account opening team to understand if the client falls into the categories mentioned below;

1. NRI
2. High Net Worth Client
3. Trust, Charity, NGOs and organizations receiving donations
4. Close family shareholdings or Beneficial Ownership (Private Company/ LLP/ Partnership Firm)
5. Politically Exposed Persons (PEP) or PEP of Foreign Origin
6. Current/ Former Head of State, Current or Former Senior High Profile politicians and connected persons (Immediate Family, close advisors and companies in which such individuals have interest or significant influence)
7. Company offering foreign Exchanges
8. Non Face to Face Client
9. Client with dubious Public Reputation

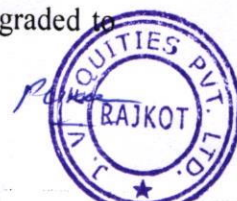
The list of the categories are basically special categories, this list could be reviewed and could have more categories.

If a client falls into any of the above categories the client should be marked as a "CSC", client of special category and the risk level immediately should be allocated as "**High**".

In exceptional circumstances the KYC team may allot the "**medium**" risk to the client if there is a sufficient reason that the client should be above low and not high.

**Review of Risk constantly after the Registration:** The ongoing risk review can trigger the client's risk to be upgraded based on the following parameters or events.

1. Change of the client relationship from Indian to NRI. The risk would be upgraded to "**High**".
2. If it is later realized that the client is a High Net Worth client. The risk would be upgraded to "**High**".
3. If in future it is known that a client is PEP then apart from seeking permission from the management to continue the relationship, the client should be immediately upgraded to **High** risk.



4. If it is later realized or the existing client is registered foreign exchange dealer the client will have to be upgraded to **High** risk.
5. If a client is residing in a country which has been recently declared by the FATF as a high risk jurisdiction or an existing client moves base into a high risk jurisdiction then naturally in both the cases client will be immediately upgraded to “High” risk.
6. If a client registers the authorization or gives a power of attorney to operate his account to somebody else, in that case the account is to be upgraded to “**High**” risk.
7. If it is realized by the management that the existing client’s reputation is tainted because of a SEBI debarred or any such announcement then the client will be upgraded to “**High**”.
8. Any employee of the organization could alert the principal officer and request based on any news item or an event in the public domain which can lead the risk to be made **High**.
9. **Transaction monitoring** is an extremely important aspect of the risk profiling system. Whenever the RMS Team sees that a client is doing or having an unusual or a suspicious trading pattern also from the same dashboard sees the income and net worth of the client along with risk level and the special category if any one of the scenarios , then he or she could immediately **upgrade** the risk of the client from Low to medium or from medium to **high** or even **very high**. This risk allocation will happen through the alerts dashboard of the AML system immediately and the RMS team member does not need any approval to do so.

#### Maintaining Risk History and reason for upgrade or degrade or allocation of

**Risk history:** It is to be noted that the risk profile would be given a date based concept, so that we know that initially the client was in low risk when the account was opened and then after some time the client was upgraded to medium because some unusual trading pattern was observed and then later upgraded to high on after sometimes by an RMS team member for the reason which may be specified by the user.

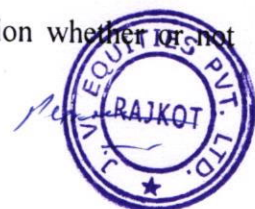
**Medium Risk:** The clients can be classified could be classified into the medium risk category depending on a lot of things like Client wise Large Turnovers , particular Script exposure / trading , client’s income range , trading pattern. If any of the client would satisfy the above criteria, depending on the criteria satisfied the same would be classified into medium or high risk.

**High Risk:** The clients of medium risk could be classified into the high risk category depending on excessive and further unusual, patterns like Client wise Large Turnovers, particular Script exposure / trading , client’s income range , trading pattern. If any of the client would satisfy the above criteria, depending on the criteria satisfied the same would be classified into high risk.

#### Generation of 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.

What is a Suspicious Transaction: Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith –



## Transaction monitoring

A suitable mechanism has been developed for transaction monitoring. It should include following Points:-

- Watch list / Screening from multiple sources - SEBI, UN Security Council (Al Qaeda and Taliban)
- Consolidated Platform for Equity, Derivatives and Depository Segment.
- Ongoing checking for updated SEBI Debarred Entities with existing.
- transactions and trading patterns
- Advanced scenarios based on the transactional data
- Improve accuracy of alerts and focus on high-risk clients and events, rather than chasing all simple alerts based on one single criterion
- Comprehensive reports with details about suspicious transactions of Clients
- Reports based on Client's trades, Order Logs, Income, volume in Exchange, Illiquid scrip etc
- Risk Categorization of Clients allows you to highlight high risk Clients
- Track Clients classified in Special Categories like NRI, Trust, Charity, Politically Exposed, Non face-to-face clients, clients with dubious public reputation etc
- Suspicious transaction register allows you to save and track suspicious transactions as required by regulations of the exchange and SEBI, by maintaining comment log and status (Closed after investigation / Reported to Exchange) for each suspicious transaction
- Watch list comparison with Client database to find suspicious Clients
- CDSL / NSDL suspicious transaction reports



**Transaction monitoring procedure:**

Regular monitoring of transactions is vital for ensuring effectiveness of the Anti Money Laundering procedures. The following activities / transactions to be monitored on an ongoing basis to enable J V EQUITIES PRIVATE LIMITED to submit periodical STRs :

1. Substantial Increase in activity without any apparent cause : Post 5 times of peak volume in last 90 days
2. Transactions with no apparent economic or business rationale : Where Profit / Turnover increases abnormally and Opposite Transactions found in Family codes or trades made in some specific pattern.
3. Clients whose identity verification seems difficult or clients that appear not to cooperate.
4. Asset management services for clients where the source of the funds is not clear or not in keeping with clients' apparent standing /business activity;
5. Internal threshold limits to be specified for each class of client accounts and pay special attention to the transaction which exceeds these limits.
6. Randomly examine a selection of transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not.
7. Clients whose identity verification seems difficult or clients appear not to cooperate.
8. Substantial increases in business without apparent cause;
9. Purchase made on own account transferred to a third party through off market transactions through DP Account. In such transactions it is also to be verified that the third party is also having account with us and such transaction is backed by purchase / sale transaction through account held with us.
10. Accounts used as 'Pass Through'. Where no transfer of ownership of securities or trading is occurring in the account and the account is being used only for funds transfers/layering purposes.
11. Trading activity in accounts of high risk clients based on their profit, business pattern and industry segment.
12. Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks /financial services, businesses reported to be in the nature of export-import of small items.
13. Comparison of declared Income with Trading Volume.
14. Verification of amounts paid through demand drafts.
15. Off – market transfers in dormant accounts.
16. Huge transactions in short period and then account becoming dormant or closed.
17. Transactions in illiquid stocks and derivative contracts.

