

TRADEWELL SECURITIES LIMITED

CIN: U67120TG2007PLC158339

Corporate Member – NSE / BSE/MCX/CDSL

SEBI Reg. No. INZ000171936

**Flat No. 204, Anushka Trendz, B.N. Reddy Colony,
Road No. 14, Banjara Hills, Hyderabad-500034**

The policies may be reviewed from time to time as and when any changes introduced by SEBI or Stock exchanges or depending on the business needs of the Company.

The policies may be reviewed by the MD/Compliance Officer and place the changes in policy before the Board at the meeting.

APPROVING AUTHORITY

The policy is approved by the Board vide their meeting held on 10th April 2023.

1. ANTI MONEY LAUNDERING POLICY - PMLA ACT 2002

The Prevention of Money Laundering Act, 2002 has come into effect from 1 July 2005. The relevant Notifications / Rules under the said Act have been published in the Gazette of India on July 1, 2005.

Updated – SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 February 03, 2023

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 intermediates 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 thereunder. While it is recognized that a “one- size-fits-all” approach may not be appropriate for the securities industry in India, each registered intermediates 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 (Maintenance of Records 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 intermediaries 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 Maintenance of Records 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 Maintenance of Records 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.

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 **intermediates** in preventing ML and TF. FFPL 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 INTERMEDIATES are required to adopt the more stringent requirements of the two.

Obligation to establish policies and procedures

7. 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 intermediates ensure the fulfilment of the aforementioned obligations.
8. To be in compliance with these obligations, the senior management of a registered intermediates 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 intermediates shall:

- i. issue a statement of policies and procedures, 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;
- 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.

9. 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; 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.

Designation of officers for ensuring compliance with provisions of PMLA

Appointment of a Principal Officer: Principal Officer 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. As a matter of principle, it is advisable that the 'Principal Officer' is of a sufficiently senior position and is able to discharge the functions with independence and authority. As per the requirement of Prevention of Money Laundering Act, 2002, a Principal Officer was appointed and informed to FIU.

Appointment of a Designated Director: In addition to the existing requirement of designation of a Principal Officer, the TRADEWELL SECURITIES LIMITED appointed a designate a person as a 'Designated Director'. As per the requirement of Prevention of Money Laundering Act, 2002, and informed to FIU.

Risk Assessment

Risk assessment will be based on categorization of clients based on High risk, Medium risk & Low risk. Following criteria is generally used for categorization of clients:

- a. High risk clients-. All special category clients are considered as High risk clients.
- b. Medium Risk: Agriculture, and Student.
- c. All other clients are primarily categorized as Low risk clients

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

- a. Change of the client relationship from Indian to NRI. The risk would be upgraded to "High"
- b. If it is later realized that the client is a High Net Worth client. The risk would be upgraded to "High"
- c. 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
- d. If it is later realized or the existing client is registered foreign exchange dealer the client will have to be upgraded to High risk.
- e. 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.
- f. 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
- g. 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"
- h. 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.

Enhanced due diligence measure to be carried out for high risk /special category clients.

1. Each trade given by such clients to be verified before execution of trades.
2. To obtain Annual Income proof and Financial Statements.
3. To verify each receipt of fund from clients. To obtain additional proof in case of Electronic Fund Transfer.

Client Due Diligence (CDD)

The CDD measures comprise the following:

- viii. 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;
- ix. Verify the client's identity using reliable, independent source documents, data or information;
- x. Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted -
 - a) **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, the TRADEWELL SECURITIES LIMITED 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.

- b) **For client which is a trust:** Where the client is a trust, the TRADEWELL SECURITIES LIMITED shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the author of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership;
 - c) **Exemption in case of listed companies:** Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies;
 - d) **Applicability for foreign investors:** TRADEWELL SECURITIES LIMITED dealing with foreign investors' may be guided by SEBI Master Circular SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19,2022 and amendments thereto, if any, for the purpose of identification of beneficial ownership of the client;
- xi. 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);
 - xii. Understand the ownership and control structure of the client;
 - xiii. 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 TRADEWELL SECURITIES LIMITED's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds;

- xiv. TRADEWELL SECURITIES LIMITED 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; and
- xv. TRADEWELL SECURITIES LIMITED periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

Acceptance of clients

TRADEWELL SECURITIES LIMITED 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:

- xvi. TRADEWELL SECURITIES LIMITED 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;
- xvii. 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;

xviii. The TRADEWELL SECURITIES LIMITED 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 closer 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, TRADEWELL SECURITIES LIMITED 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 TRADEWELL SECURITIES LIMITED 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 TRADEWELL SECURITIES LIMITED or meeting the officials of the Company. 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;

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

- a. 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.
- b. Ensure that an account is not opened where the TRADEWELL SECURITIES LIMITED is unable to apply appropriate CDD measures. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to the TRADEWELL SECURITIES LIMITED is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. TRADEWELL SECURITIES LIMITED 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. TRADEWELL SECURITIES LIMITED shall be cautious to ensure that it does not return securities or money that may be from suspicious trades. However, TRADEWELL SECURITIES LIMITED shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.
- c. 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 TRADEWELL SECURITIES LIMITED, 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.
- d. 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.

- e. The CDD process shall necessarily be revisited when there are suspicionsof ML/TF.

Client identification procedure

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

Compliance with the following requirements while putting in place a CIP:

- a. TRADEWELL SECURITIES LIMITED proactively put in place appropriate risk management systems to determine whether their client or potential client orthe 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.
- b. TRADEWELL SECURITIES LIMITED 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 foundto be, or subsequently becomes a PEP, TRADEWELL SECURITIES LIMITED shall obtain senior management approval to continue the business relationship.
- c. TRADEWELL SECURITIES LIMITED also take reasonable measures to verify thesources of funds as well as the wealth of clients and beneficial owners identified as PEP.

- d. The client shall be identified by the TRADEWELL SECURITIES LIMITED by using reliable sources including documents / information. The TRADEWELL SECURITIES LIMITED 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 the TRADEWELL SECURITIES LIMITED 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 within the TRADEWELL SECURITIES LIMITED.

SEBI has specified the minimum requirements relating to KYC for certain classes 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, TRADEWELL SECURITIES LIMITED framed its own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices.

Further, the TRADEWELL SECURITIES LIMITED 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 TRADEWELL SECURITIES LIMITED is aware of the clients on whose behalf it is dealing.

TRADEWELL SECURITIES LIMITED 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 TRADEWELL SECURITIES LIMITED (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 TRADEWELL SECURITIES LIMITED.

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

We shall not rely on any third party for carrying out the customer due diligence (“CDD”). We are solely conducting and are responsible for carrying out the CDD.

For existing clients processes include:

- i. Review of KYC details of all the existing active clients in context to the PMLA 2002 requirements.
- ii. To verify status of client in KRA Agencies website and compliance at the time of account opening as per SEBI {KYC (Know Your Client) registration agency} Regulations, 2011
- iii. Classification of clients into high, medium or low risk categories based on KYC details, trading activity etc for closer monitoring of high risk categories.
- iv. Obtaining of annual financial statements from all clients, particularly those in high risk categories at reasonable intervals.
- v. In case of non-individuals client additional information about the directors, partners, dominant promoters, major shareholders is obtained.
- vi. Verify each account with SEBI debarred entity lists and UNSCR lists on daily basis.

Risk based approach:

Following Risk based KYC procedures are adopted for all clients:

- i. Payout/pay-in of funds and securities transferred to /from a third party
- ii. Off market transactions especially in illiquid stock and in F & O, at unrealistic prices
- iii. Trading pattern of clients is observed
- iv. Client demographics are considered

Clients of special category (CSC)

- i. Non-resident clients,
- ii. High net-worth clients,
- iii. Trust, Charities, NGOs and organizations receiving donations,
- iv. Companies having close family shareholdings or beneficial ownership,
- v. Politically exposed persons (PEP). Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned

corporations, important political party officials, etc. The additional norms applicable to PEP as contained in the subsequent clause 5.5 (Page 19 of the Master Circular) shall also be applied to the accounts of the family members or close relatives of PEPs,

- vi. Companies offering foreign exchange offerings,
- vii. Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent,
- viii. Non face to face clients,
- ix. Clients with dubious reputation as per public information available etc.

NRI: All NRI accounts will be marked.

High Net worth Clients: High net worth clients could be classified if at the account opening stage or during the course of the relationship, it is realized that the client's net worth is beyond ten crore or income is beyond 1 crore.

Trust, Charity and NGOs: 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.

Close family shareholdings or Beneficial Ownership: In case of close family shareholdings the objective is to understand whether the beneficiaries of two or more accounts, which may also be opened at different times are same, then both need to be marked under this special category.

Politically Exposed Persons: A separate detailed document mentions about PEP identification.

Company offering foreign Exchanges: At the account opening stage if it is to our knowledge that the individual or the entity is registered foreign exchange dealer, then the same may be categorized.

Client in High Risk Country: We avoid to open any account received from client who was residing in a high risk jurisdiction and may have investment proceeds which may have also originated from these countries.

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.

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.

Record Keeping:

The Principal Officer will be responsible to ensure that AML records are maintained properly. The company shall also maintain such records, which can permit reconstruction of individual transactions so as to provide evidence of prosecution of criminal behavior.

The company shall maintain and preserve the records for the minimum period prescribed under AML Act and SEBI Act. Records relating to ongoing investigations to be retained until it is confirmed that the case has been closed.

Monitoring & Reporting of Suspicious Transactions:

Suspicious transactions generated from PMLA software & Exchange records are scrutinized and inquired into from concerned entities/clients and based on input decide to report to FIU-IND.

Ongoing monitoring of accounts which includes

- i. Identification and detection of apparently abnormal transactions.
- ii. Generation of necessary reports/alerts based on clients' profile, nature of business, trading pattern of clients for identifying and detecting such transactions. These reports/alerts are analyzed to establish suspicion or otherwise for the purpose of reporting such transactions.

Following parameters are used:

- i. Large number of accounts having common parameters such as common partners / directors / promoters /
- ii. Off market transactions through DP Accounts;
- iii. Suspicious off market transactions;
- iv. 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 'Clients of Special Category'.

Such clients should also be subject to appropriate counter measures.

Monitoring of Transactions

Ongoing monitoring is an essential element of effective KYC procedures. **TSL** can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity.

TSL shall have in place a comprehensive transaction monitoring process from a KYC/AML perspective. **TSL** shall put in place strong transaction alerts which will provide proactive signals on suspicious transactions and possible money laundering. **TSL** AML monitoring team shall endeavor to update the list based on current understanding of the market scenario and trading patterns followed by clients. Surveillance team shall review internal alerts if any and also monitor the alerts provided by the exchanges per their circular NSEINVG/22908 dated March 7, 2013.

On the basis of criticality of the breach, observation of account behavior, repetitive breaches, the AML Monitoring Team shall send a query to the concerned Business. Responses would be expected within 7 working days. If the alerts still persist or the AML Monitoring Team is not satisfied with the responses, then the AML query team shall send the query to the Compliance Head for resolution

Action for SEBI debarred entities

If any person's/ entity name appears on SEBI debarred list and that person is our client, we immediately stop the trading of that client.

IDENTIFICATION OF BENEFICIAL OWNER

Check would be done for actual beneficial ownership and control of the particular account. We need to obtain the details with respect to Shareholders / promoters (Holding more than 25 % or more of share capital of Corporate entities) , Partners (Holding more than 15 % or more of capital or profits of partnership firm.), Unincorporated association or body of individuals(Holding more than 15 % or more of property or capital or profits of juridical person) from the non-individual clients and wherever possible it has to be verified independently. Where the client is a trust, identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

Where no natural person is identified the identity of the relevant natural person who holds the position of senior managing official

Verify the sources of funds for funding the transaction. We shall also take care at the time of settlement regarding nature of transaction, movement/source of transaction, etc. Periodically to ask for clients financial details to determine the genuineness of transaction. Special care would be taken in case of non-individual accounts such as corporate, partnership firms etc, where the ownership structure is opaque. In all such cases the accounts would be activated only post approval from the compliance department.

For this purpose, “**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.

Others

In case of existing clients, if any names appear in the UNSCR lists as and when stock exchange issue any circular/ notification in this regard, we immediately deactivate that client.

In case we upload any STR to FIU IND, or any other confidential information of any client, we keep secrecy and it is known only by compliance officer and principal officer.

Reporting of Suspicious Transactions:

- i. All suspicious transactions will be reported to FIU. Member and its employees shall keep the fact of furnishing information in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 strictly confidential.
- ii. 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 should be made available to auditors and also to SEBI /Stock Exchanges/FIU-IND/Other relevant Authorities, during audit, inspection or as and when required. These records are required to be preserved for **Eight years** as is required under PMLA 2002.
- iii. The Principal Officer and related staff members shall have timely access to customer identification data and other CDD information, transaction records and other relevant information. The Principal Officer shall have access to and be able to report to senior management above his/her next reporting level or the Board of Directors.

Any suspicious transaction shall be immediately notified to the **Designated/Principal Officer** of the Company . 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 and other relevant information.

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 TRADEWELL SECURITIES LIMITED shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction

Paragraph 12 (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'. TRADEWELL SECURITIES LIMITED 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

- j) TRADEWELL SECURITIES LIMITED 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.

Record Keeping

TRADEWELL SECURITIES LIMITED ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made thereunder, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Byelaws and Circulars.

TRADEWELL SECURITIES LIMITED 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.

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, TRADEWELL SECURITIES LIMITED retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:

- e. the beneficial owner of the account;
- f. the volume of the funds flowing through the account; and
- g. 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.

TRADEWELL SECURITIES LIMITED 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.

More specifically, all the TRADEWELL SECURITIES LIMITED 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:

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

- j. all cash transactions where forged or counterfeit currency notes or banknotes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
- k. 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 Company.

Retention of Records

TRADEWELL SECURITIES LIMITED 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 TRADEWELL SECURITIES LIMITED.

TRADEWELL SECURITIES LIMITED 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 TRADEWELL SECURITIES LIMITED has ended or the account has been closed, whichever is later.

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.

TRADEWELL SECURITIES LIMITED 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 TRADEWELL SECURITIES LIMITED.

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

TRADEWELL SECURITIES LIMITED 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).

List of Designated Individuals/ Entities

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 TRADEWELL SECURITIES LIMITED 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.

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 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:

l. 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>.

m. 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.

TRADEWELL SECURITIES LIMITED are directed to ensure that accounts are not opened in the name of anyone whose name appears in said list. TRADEWELL SECURITIES LIMITED 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.

TRADEWELL SECURITIES LIMITED 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.

TRADEWELL SECURITIES LIMITED 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.

Jurisdictions that do not or insufficiently apply the FATF Recommendations

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 considered by the registered intermediaries.

The TRADEWELL SECURITIES LIMITED 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

In terms of the PML Rules, TRADEWELL SECURITIES LIMITED 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>

TRADEWELL SECURITIES LIMITED 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, TRADEWELL SECURITIES LIMITED shall adhere to the following:

The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.

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.

The Non Profit Organization Transaction Reports (NTRs) for each shall be submitted to FIU-IND by 15th of the succeeding month.

The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;

Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND.

No nil reporting needs to be made to FIU-IND in case there are no cash/suspicious/non-profit organization transactions to be reported.

TRADEWELL SECURITIES LIMITED shall not put any restrictions on operations in the accounts where an STR has been made. TRADEWELL SECURITIES LIMITED 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 TRADEWELL SECURITIES LIMITED, 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.

Hiring and Training of Employees and Investor Education

Hiring of Employees: TRADEWELL SECURITIES LIMITED 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.

Training of Employees: TRADEWELL SECURITIES LIMITED 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.

Investor Education: Implementation of AML/CFT measures requires TRADEWELL SECURITIES LIMITED 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 TRADEWELL SECURITIES LIMITED to sensitize their clients about these requirements as the ones emanating from AML and CFT frame work. TRADEWELL SECURITIES LIMITED prepare specific literature/pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme.

Appendix

The following Circulars shall stand rescinded from the date of issuance of this Circular

1. **SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019** – 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 thereunder
2. **SEBI/HO/MIRSD/DOP/CIR/P/2021/36 dated March 25, 2021**- Combating Financing of Terrorism (CFT) under Unlawful Activities (Prevention) Act, 1967 –Directions to Stock Exchanges, Depositories and all registered intermediaries
3. **SEBI/HO/MIRSD/DOP/CIR/P/2019/69 dated May 28, 2019** - Combating Financing of Terrorism (CFT) under Unlawful Activities (Prevention) Act, 1967 –Directions to stock exchanges, depositories and all registered intermediaries
4. **CIR/MIRSD/1/2014 dated March 12, 2014** - Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Obligations of Securities Market Intermediaries under the Prevention of Money-laundering Act, 2002 and Rules framed there under
5. **ISD/AML/CIR/1/2010 dated February 12, 2010** - Anti Money Laundering (AML) Standards/Combating Financing of Terrorism (CFT)/Obligations of Securities Market Intermediaries under Prevention of Money Laundering Act, 2002 and Rules framed there-under- Master Circular on AML/CFT
6. **ISD/AML/CIR-2/2009 dated October 23, 2009** - Combating Financing of Terrorism (CFT) under Unlawful Activities (Prevention) Act, 1967 – Directions to stock exchanges, depositories and all registered intermediaries.
