

PMLA POLICY

SHUBHAM STOCK BROKING
SERVICES PVT. LTD.

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1.POLICY OBJECTIVE

SHUBHAM STOCK BROKING SERVICES PVT. LTD. (SHUBHAM) had designed this Policy to prohibit and to prevent the money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities or flow of illegal money or hiding money to avoid paying taxes. To discourage and identify any Money Laundering and/or Terrorist Financing Activities. This Policy provides a detailed account of the procedures and obligations to be followed to ensure compliance with issues related to Know your Client (KYC) Norms, Anti Money Laundering (AML), Client Due Diligence (CDD) and Combating Financing of Terrorism (CFT). This Policy specifies the additional disclosures to be made by the clients to address concerns of Money Laundering and Suspicious transactions undertaken by clients and reporting to Finance Intelligent Unit (FIUIND).

2.PURPOSE

The Guidelines as outlined below provides a general background on the subjects of money laundering and terrorist financing summarizes the main provisions of the applicable anti-money laundering and anti-terrorist financing legislation in India and provides guidance on the practical implications of the Act. The Guidelines sets out the steps that SHUBHAM and/or any of its representatives should follow to discourage and identify any money laundering or terrorist financing activities.

3.POLICIES AND PROCEDURES TO COMBAT MONEY LAUNDERING AND TERRORIST FINANCING

- (a) Communication of group policies relating to prevention of money laundering and terrorist financing to all management and relevant staff that handle account information, securities transactions, money and customer records etc. whether in branches, departments or subsidiaries, both in India & Overseas;
- (b) Customer acceptance policy and customer due diligence measures, including requirements for proper identification;
- (c) Maintenance of records;
- (d) Compliance with relevant statutory and regulatory requirements;
- (e) Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and
- (f) Role of internal audit or compliance function to ensure compliance with policies, procedures, and controls relating to prevention of money laundering and terrorist

financing, 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 about their responsibilities in this regard, through Whistle Blower Policy.

4. DESIGNATED DIRECTOR

Designated Director of SHUBHAM STOCK BROKING SERVICES PVT. LTD. is **Mr. Anil Aggarwal**, SHUBHAM STOCK BROKING SERVICES PVT. LTD. of the Company. Designated Director is required to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act 2002 and Rules thereof, as amended from time to time.

5. PRINCIPAL OFFICER

Principal Officer of SHUBHAM STOCK BROKING SERVICES PVT. LTD. is **Mr. Anil Aggarwal** Principal Officer is required:

- Ensure that any incidents of suspicious activity are reported to the Financial Intelligence Unit India (FIU-IND) and are filed in accordance with the applicable legislation;
- Maintenance of a register listing reports made to the Financial Intelligence Unit-India (FIU-IND) and inquiries received from the Financial Intelligence Unit-India (FIU-IND)

6- KNOW YOUR CLIENT / CUSTOMER

One of the best methods for preventing and deterring money laundering is a sound knowledge of a customer's business and pattern of financial transactions. The adoption of procedures by which financial institutions "know their customer" is not only a principle of good business but is also an essential tool to avoid involvement in money laundering. **SHUBHAM** shall adopt appropriate KYC procedures and internal controls measures to:

- a) Determine and document the true identity of the customers who establish relationships, open accounts or conduct significant business transactions and obtain basic background information on customers;
- b) Assess the money laundering risk posed by customers' expected use of **SHUBHAM** products and services;
- c) Protect **SHUBHAM** from the risks of doing business with any individual or entity whose identity cannot be determined or who refuses to provide information, or who have provided information that contains significant inconsistencies which cannot be resolved after due investigation.

7.CUSTOMER ACCEPTANCE POLICY

No account shall be opened in anonymous or fictitious / benami name (s). PAN shall be mandatory for each account. Each client shall have one trading account only. In case the document provided by the foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the foreign Embassy or Mission in India shall be accepted as proof of address. The parameters of risk perception in terms of the nature of business activity, location of customer, mode of payments, volume of turnover, social and financial status etc. shall be captured at the account opening stage to enable categorization of customers into low, medium and high risk.

For the purpose of risk categorization, individuals/entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, shall be categorized as low risk. For examples of low risk customers are as follows:

- Salaried employees whose salary structures are well defined;
- Government Departments and Government owned companies;
- Regulators and statutory bodies; etc.

Customers that are likely to pose a higher than average risk to **SHUBHAM** shall be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his profile etc. **SHUBHAM** shall apply Customer Due Diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear.

Account shall not be opened 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.

8.CUSTOMER DUE DILIGENCE

Primarily, the Company will follow Customer Due Diligence (CDD) process in client acceptance and thereafter allow for transaction or account based relationship. It will include:

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

transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

(b) Verify the client's identity using reliable, independent source documents, data or information; Where the client purports to act on behalf of trust, we shall ensure that trustees disclose their status at the time of account opening.

(c) 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.

The company shall be guided by the following directives, for the purpose of determination of controlling ownership interest (beneficial ownership) of the client/s, issued by SEBI vide SEBI/HO/MIRSD/SEC-FATF/P/CIR/2023/0170 issued on October 13, 2023:

➤ **For client which is a company**

The beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means. For the purpose of this sub-clause:

1. Controlling ownership interest" means ownership of or entitlement to more than 10% cent of shares or capital or profits of the company
2. Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements

➤ **For client which is a partnership firm**

The beneficial owner is the natural person(s) who, whether acting alone or together, or through one or more juridical person, has ownership of/ entitlement to more than 10% of capital or profits of the partnership or who exercises control through other means.

Note: "Control" shall include the right to control the management or policy decision.

➤ **For client which is an unincorporated association or body of individuals**

The beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than 15% of the property or capital or profits of such association or body of individuals where no natural person is identified under (i) or (ii) or (iii) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;

➤ **For client which is a trust**

The identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 10% 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 an entity listed on a stock exchange in India, or it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions notified by the Central Government, or it is a subsidiary of such listed entities, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such entities.

➤ **Applicability for Foreign Clients**

The Company while dealing with foreign investors may be guided by the clarifications issued 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. The Board of Directors of SHUBHAM STOCK BROKING SERVICES PVT. LTD. shall monitor the compliance of the aforementioned provision on identification of beneficial ownership.

(d) 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 (c);

(e) Understand the ownership and control structure of the client;

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

(g) Periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process such that the information or data collected under client due diligence is kept up-to-date and relevant,

particularly for high risk clients. We are collecting the re KYC documents for high risk clients in every 3 years

(h) In case of client being a non-profit organization, SHUBHAM Fincap Consultants LLP register the details of client on the DARPAN Portal of NITI Aayog, if not already registered, and maintain such registration records for a period of five years after the business relationship between a client and the registered intermediary has ended or the account has been closed, whichever is later.

(i) In case we suspicious that transactions relate to money laundering or terrorist financing, and reasonably believe that performing the CDD process will tip-off the client, we shall not pursue the CDD process, and shall instead file a STR with FIUIND.”

While implementing CDD procedures the Company, in accepting a new client, shall:

- i. Adopt a Risk Based Approach
- ii. Verify proofs of identity, address, and financial status of the client and persons acting on its behalf, ownership and control structure by scrupulously following the KYC norms of the relevant exchange / Depositories / SEBI. Adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship should be obtained. KYC norms shall be followed while establishing the client relationship and may further be followed while carrying out transactions for the client or when there is doubt regarding the veracity or the adequacy of previously obtained client identification data.

Account should be opened only after the completion of all the required documents and after due verification with originals. In person verification shall be carried in a manner provided by SEBI/Exchange/Depositories.

iii. The Company may rely on a third party for the purpose of (a) identification and verification of the identity of a client and (b) determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act. Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/guidelines issued by SEBI from time to time. Further, it is clarified that ultimately we shall be responsible for CDD and undertaking enhanced due diligence measures, as applicable. In terms of Rule 9(2) of PML Rules:

i. The registered intermediary shall immediately obtain necessary information of such client due diligence carried out by the third party;

ii. The registered intermediary shall take adequate steps to satisfy itself that copies of

identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;

iii. The registered intermediary shall be satisfied that such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;

iv. The third party is not based in a country or jurisdiction assessed as high risk;

v. Not open any account in a fictitious / benami name or on an anonymous basis. Ensure that the identity of the proposed client does not match with any person having known criminal background and his is not banned in any other manner, whether in terms of UN sanction resolutions available on website at <http://www.un.org/sc/committees/1267/consolist.shtml> or orders of any other enforcement agency.

While accepting and executing a client relationship the Company will adopt a Risk Based Approaches under:

RISK CATEGORIZATION- INDIVIDUALS

| Type of Clients | Proposed Risk Category |
|---------------------------|-------------------------------|
| Salaried | Low / Medium |
| Retired | Low / Medium |
| Senior citizens | Low / Medium |
| House-wife | Low / Medium |
| Professionals/Businessmen | Low / Medium |
| NRI | Low / Medium |
| PEP / Related to PEP | High |
| FPI | High |

RISK CATEGORIZATION- NON-INDIVIDUALS

| Type of Clients | Proposed Risk Category |
|------------------------|-------------------------------|
| HUF | Low / Medium |
| Partnership Firm | Low / Medium |
| Pvt. Ltd. / Ltd. | Low / Medium |
| Trust | High |
| Financial Institutions | High |
| NGO | High |
| PEP / Related to PEP | High |
| FPI | High |

Clients of Special Category (CSC)

Such clients include the following:

- (a) Non-Resident Indian clients
- (b) Foreign Nationals having Non-Resident status,
- (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). 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.
- (f) 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)
- (g) Companies offering foreign exchange offerings
- (h) Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following - Havens / sponsors of international terrorism, offshore financial centres, tax havens, countries where fraud is highly prevalent.
- (i) Non face to face clients with high risk.
- (j) Clients with dubious reputation as per public information available etc.
In addition to the above, basis the information available at the time of CDD, SHUBHAM STOCK BROKING SERVICES PVT. LTD. will exercise its' judgment to ascertain whether a new client should be classified as CSC or not.

The above-mentioned list is only illustrative and the company may exercise independent judgment to ascertain whether new clients should be classified as CSC or not.

9.CUSTOMER IDENTIFICATION PROCEDURES

Customer identification procedure means verifying the identity of the customer by using reliable, independent source documents, data or information. SHUBHAM STOCK BROKING SERVICES PVT. LTD. needs to obtain sufficient information necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of relationship. SHUBHAM STOCK BROKING SERVICES PVT. LTD. must also be able to satisfy the regulators that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place.

At the time of opening an account or executing any transaction with it, the Company 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:

| Client Type | Proof of Identity (POI) | Proof of Address (POA) | Others |
|------------------------|--|--|--|
| Individual | PAN | Aadhar / Bank Statement / DL/ Voter Id Card etc. | |
| Corporate | MOA, AOA, PAN, BR, List of Authorised Signatory, | Bank Statement, GST Regn or any other details issued by Govt Authorities | POI & POA of list of authorised Signatory and Beneficiary Owners |
| Partnership Firm / LLP | Partnership Deed, Partner Authority Letter, PAN | Same as Above | Same as Above |
| Trust | PAN, Registration Certificate & Trust Deed | Same as Above | Same as Above |
| AOI/BOI | PAN, BR / POA, Registration Certificate | Same as Above | Same as Above |

Where the client is a juridical person, we shall verify that any person purporting to act on behalf of such client is so authorized and the identity of that person shall be verified.

- i. The Company shall within ten days after the commencement of an account-based relationship with a client, file the electronic copy of the client's KYC

records with the Central KYC Records Registry and maintain the physical copy of records of the identity of its clients after filing. Also it shall duly comply with the such other KYC /CKYC/ client identification procedures as may be specified and strengthened by SEBI / Other regulatory authorities from time to time.

- ii. All PAN Cards received will be verified form the Income Tax/ NSDL website before the account is opened.
- iii. The concerned officials should take extra caution and put in place appropriate risk management system in case of existing or potential Politically Exposed Persons (PEP). They may seek additional information and also take the help of publicly available information.
- iv. No business relationships can be established with PEP without prior approval of the senior management officials or principal officer. Where a customer has been accepted and the customer or beneficial owner is subsequently found to be, or subsequently becomes a PEP, the approval from the above said officials is required to continue the business relationship.
- v. The concerned officials of the Company should track the financial soundness of the clients and shall take reasonable measures to verify source of funds of clients and beneficial owners identified as PEP.
- vi. The information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the Company in compliance with the Guidelines. Each original document shall be seen prior to the acceptance of copy.
- vii. The principal Officer shall ensure that the Client Identification Programme has been formulated and implemented as per the requirements of the Notification No. 9/2005 dated July 01, 2005 (as amended from time to time) and the PML Rules 2009.
- viii. It may be noted that while risk-based approach may be adopted at the time of establishing business relationship with a client, no exemption from obtaining the minimum information/documents from clients as provided in the PMLA Rules are applicable to all to all classes of investors with regard to the verification of the records of the identity of clients.
- ix. There shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures by the Company.
- x. On failure by prospective client to provide satisfactory evidence of identity including address, financial status and the purpose of intended nature of relationship, new account shall not be opened and the matter shall be reported to the higher authority. This shall also apply where it is not possible to ascertain the identity of the client, or the information provided to the Company is suspected to be non-genuine, or there is perceived non-co-operation of the client in providing full and complete information.
- xi. Without diluting the above requirements, the personnel opening a new account may obtain other independent information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.

10. DEALINGS ON BEHALF OF CLIENT

We shall ensure that in case of individual client only the client himself/ herself be allowed to transact on his/her own behalf. However, a person may be allowed to deal on behalf of his / her spouse, dependent children or dependent parents provided a written authorization is obtained from concerned family member. Further, a client shall also be entitled to appoint any other person to trade on his behalf provided a duly executed Power-of-Attorney on stamp paper of appropriate value is submitted to us.

In case of non-individual clients only the person(s) having appropriate written authorization are allowed to deal for and on behalf of the client.

In all the cases, we must obtain the identification documents of the person so authorized to deal on behalf of the client and adequate verification of person's authority to act on behalf of the client shall also be carried out.

The authorization letter should specify the manner in which the account shall be operated, transaction limits for the operation, additional authority (if any) required for transactions exceeding a specified quantity/value and the rights and responsibilities of each persons.

11. MONITORING OF TRANSACTIONS

The Company will monitor through the automated means of Back Office Software for unusual size, volume, pattern or type of transactions. It shall be supplemented by feedback from front office and back office staff. For non-automated monitoring, the following kind of activities are to be mentioned as Red Flags and reported to the Principal Officer:

- ❖ The customer exhibits unusual concern about the Company's compliance with government reporting requirements and the Company's AML policies (particularly concerning his or her identity, 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 of currency, insists on dealing only in cash, or asks for exemptions from the Company'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 Company'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 an 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 Company 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:

- 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

Suspicious Background

- Suspicious background or links with known criminals

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

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
- Account used for circular trading.

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

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

Ongoing monitoring is an essential element of effective AML procedures. We can effectively control and reduce our risk only if we have an understanding of the

normal and reasonable activity of the customer so that we have the means of identifying transactions that fall outside the regular pattern of activity.

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.

In case of any account wherein alerts are observed on a regular basis, the risk categorization would be increased based on the consensus of the AML monitoring team and the compliance officer. Such a review would be done at least once every month.

Further, the compliance cell shall randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not. It would be ensured that record of transaction is preserved and maintained in terms of section 12 of the PMLA 2002, Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 or any other notification issued in due course and that transaction of suspicious nature or any other transaction notified under section 12 of the act is reported to the appropriate law authority.

12.RISK ASSESSMENT

SHUBHAM STOCK BROKING SERVICES PVT. LTD. shall carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk. We shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied.

SHUBHAM STOCK BROKING SERVICES PVT. LTD. shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and existing products. We shall ensure:

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

Further, we shall ensure that the risk assessment carried out would be documented, kept up to date and be available to competent authorities and self-regulating bodies

13.RISK MANAGEMENT

The overall responsibility/implementation and adherence of this shall lie with the Compliance, RMS & Surveillance divisions of SHUBHAM STOCK BROKING SERVICES PVT. LTD.

The Concurrent / Internal Auditors shall specifically check and verify the application of KYC/AML procedures and comment on the lapses observed in this regard. The reports and compliance in this regard shall also put up before the Board.

14.COMBATING FINANCING OF TERRORISM (CFT)

SHUBHAM shall have a heightened awareness in the system to check for transactions which give rise to a reasonable ground of suspicion that these may involve financing of the activities relating to terrorism

15.COMPLIANCE OF REGULATORY DIRECTIVES

In accordance with provisions of Order dated February 02, 2021 issued by Govt. of India to ensure expeditious and effective implementation of the provisions of Section 51A of PMLA Act, 2002, **SHUBHAM** shall ensure the following:

We will maintain designated updated list of all the individuals and entities subject to the UN sanction measures i.e. Lists by UNSC 1267 Committee pertaining to Al Qaida and Da'esh and the UNSC 1988 Committee pertaining to Taliban as per as per communications received from Stock / Commodity Exchanges, CDSL, SEBI and/or any other statutory or regulatory authority from time to time;

We will maintain the aforementioned updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the afore-mentioned GOI's Order (hereinafter referred to as designated individuals/entities) are holding any funds, securities and / or any other economic resources with SHUBHAM STOCK BROKING SERVICES PVT. LTD.

1. In the event, particulars of any of our client/s match the particulars of designated individuals/entities, we shall immediately inform full particulars of the funds, securities and / or any other economic resources held on behalf of such client/s in our books to the Central [designated] Nodal Officer for the UAPA i.e. the Joint Secretary (CTCR), Ministry of Home Affairs at Fax No. 011-23092551, over telephone no. 011-23092548 and also through e-mail to e- mail Id jsctcrmha@gov.in;
2. A copy of the communication as per Para III above shall also be shared with UAPA Nodal Officer of the concerned State/UT where the account is held, FIU-IND as well as UAPA nodal officer of SEBI, Officer on Special Duty,

Integrated Surveillance Department, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra- Kurla Complex, Bandra (E), Mumbai 400 051 on a high priority basis without unreasonable delay;

3. In case, the match of any of the SHUBHAM STOCK BROKING SERVICES PVT. LTD. s client/s with the particulars of designated individuals/entities is beyond doubt, we shall prevent such client/s from conducting financial transactions under intimation to the Joint Secretary (CTCR), Ministry of Home Affairs at Fax No. 011-23092551, over telephone no. 011-23092548 and also through e-mail to e-mail Id jsctcr-mha@gov.in;
4. A Suspicious Transaction Report (STR) as per the prescribed format containing all transactions (including attempted transactions) in he account/s of afore-mentioned Client/s as per Para III and V above shall also be submitted with FIU-IND.
5. SHUBHAM STOCK BROKING SERVICES PVT. LTD. shall leverage latest technological and tools for effective implementation of name screening to meet the sanction requirements.

16.FREEZING OF FUNDS, FINANCIAL ASSETS OR RELATED SERVICES

Upon receipt of relevant directions from the FIU-IND, SEBI or any statutory / regulatory authority, SHUBHAM STOCK BROKING SERVICES PVT. LTD. shall freeze, seize or attach funds, securities and/or any other economic resources held by it on behalf of its clients. The assets so frozen shall be dealt with only in accordance with the directions received from concerned authority.

SHUBHAM STOCK BROKING SERVICES PVT. LTD. shall also evaluate whether there is any suspicious transaction and accordingly consult the appropriate regulatory authority, in determining whether to freeze or close the account and shall be cautious to ensure that it does not return securities or money that may originate from suspicious transactions.

17.PROCESSING OF REQUESTS RELATING TO UNFREEZING OF CLIENT'S ASSETS

Upon receipt of any client's request relating to unfreezing of funds, securities and/or any other economic resources, we shall forward a copy of the relevant application together with complete details of the assets frozen as per details provided by the client to the Joint Secretary (CTCR), Ministry of Home Affairs at Fax No. 011-23092551, over telephone no. 011-23092548 and also through e-mail to e-mail Id jsctcrmha@gov.in immediately within two working days. The directions, if any, received from the appropriate authority in this regard shall be duly complied with under intimation to the concerned client.

18. MAINTENANCE OF RECORDS

The Principal Officer will ensure the maintenance of the following records:

1. all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
2. all series of cash transactions integrally connected to each other which have been 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 value of such transactions exceeds rupees ten lakh or its equivalent in foreign currency;
3. all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or document has taken place;
4. all suspicious transactions whether or not made in cash including such other transactions as may be specified by concerned authorities to be considered as suspicious from time to time.

Suspicious transaction means a transaction 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 etc. 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 bona fide purpose;

A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:

- a) Clients whose identity verification seems difficult or clients that appear not to cooperate
- b) Asset management services for clients where the source of the funds is not clear or not in keeping with client's apparent standing /business activity;
- c) Clients based in high risk jurisdictions;
- d) Substantial increases in business without apparent cause;
- e) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash.

- f) Attempted transfer of investment proceeds to apparently unrelated third parties;
- g) Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services, businesses reported to be in the nature of export-import of small items.

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 Company shall also endeavour to 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 to the investigating agencies for prosecution of criminal behavior. For this purpose, we shall retain the documents as to

- a) the beneficial owner of the account;
- b) the volume of the funds flowing through the account; and
- c) for selected transactions:
 - the origin of the funds;
 - the form in which the funds were offered or withdrawn, e.g. cash, cheques, etc.;
 - the identity of the person undertaking the transaction;
 - the destination of the funds;
 - the form of instruction and authority.

Principal Officer shall ensure that all customer and transaction records and information are available on a timely basis to the competent investigating authorities. Where appropriate, he may consider retaining certain records, e.g. customer identification, account files, and business correspondence, for periods which may exceed that required under the SEBI Act, Rules and Regulations framed there- under PMLA 2002, other relevant legislations, Rules and Regulations or Exchange / Depositories bye- laws or circulars.

In case the Company does not have record of the identity of existing clients, it shall obtain the records forthwith, failing which we shall close the account of the clients after giving due notice to the client.

Explanation: "records of the identity of clients" shall include updated records of the identification date, account files and business correspondence and result of any analysis undertaken under rules 3 and 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

19.RETENTION OF RECORDS

- a) The Company shall maintain necessary records on transactions, both domestic and international, at least for the minimum period prescribed under the SEBI Act, 1992, Rules and Regulations made thereunder, PMLA as well as other relevant legislation, Rules, Regulations, Exchange / Depositories Bye-laws and Circulars.
- b) Records on client identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence shall be kept for the period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.
- c) 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.
- d) The Company 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 & 8 for the PML Rules, at least for a period of five years from the date of the transaction between the client and the intermediary.

As per SEBI Circular SEBI/MRD2/DDAP/CIR/P/2020/153 dated August 18, 2020, the Company shall preserve the records and documents for a minimum period of 8 years.

20.REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA

In terms of the PMLA rules, principal Officer is required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) as per the schedule given below 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
Email: helpdesk@fiuindia.gov.in
Website: <http://fiuindia.gov.in>

| Report | Description | Due Date |
|--------|-------------------------|----------------------------|
| CTR | Cash Transaction Report | 15th day of the succeeding |

| | | |
|-----|---|---|
| | (Value more than 10 lakh or series of cash transactions within a month) | month |
| STR | All suspicious transactions whether or not made in cash | Not later than seven working days on being satisfied that the transaction is suspicious |
| NTR | Transaction of Non-profit organization Reporting (if applicable) | 20th day of the succeeding Month, if any |

21.EMPLOYEE'S HIRING /EMPLOYEE'S TRAINING / INVESTOR EDUCATION:

We will adopt adequate screening procedures including background check to ensure high standards while hiring employees. Having regard to the risk of money laundering and terrorist financing and size of the business, the Company will identify the key positions and will ensure that the employees taking up such key positions are suitable and competent to perform their duties.

We will develop ongoing employee training under the leadership of the Principal Officer 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. They shall be made to fully understand the rationale behind this policy, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

We will develop in-house training in the company or outsource it. Means of the training may include educational pamphlets, videos, intranet systems, in-person lectures, and explanatory memos.

Implementation of AML/CFT measures requires us to demand certain information from investors which may be of personal nature or which have hitherto never been called for, such as documents evidencing source of funds/income tax returns/bank records etc., which can sometimes lead to raising of questions by the customer with regard to the motive and purpose of collecting such information. Therefore, we will sensitize our customers about these requirements as the ones emanating from AML and CFT framework.

We will prepare specific literature/ pamphlets etc/ hold conference so as to educate the customers of the objectives of the AML/CFT program.

Monitoring Employee Conduct and Accounts:

We will subject employee accounts to the same AML procedures as customer accounts, under the supervision of the Principal Officer. The Principal Officer's accounts will be reviewed by the Board of Directors.

Confidential Reporting of AML Non-Compliance:

Employees will report any violations of the company's AML compliance program to the Principal Officer, unless the violations implicate the Principal Officer, in which case the employee shall report to the Board. Such reports will be confidential, and the employee will suffer no victimization for making them.

Communication of this Policy:

Principal Officer shall ensure that this policy is communicated to all management and relevant staff including directors, Head of the department (s), branches, group companies and franchisee including Authorised Persons/ Sub-brokers.

Approval of the Board of Directors:

We have approved this revised AML program as reasonably designed to achieve and monitor our company's ongoing compliance with the requirements of the PMLA and the implementing regulations under it.

22. REVIEW OF POLICY

The principal officer shall ensure thorough review of this policy in accordance with all such circulars, guidelines and/or directives as may be issued by any Stock Exchange, SEBI, Depository and/or any other statutory/regulatory authority from time to time or after a period 1 year, whichever is earlier. This policy has been last been reviewed **on 26th April, 2025**

This updated policy document was taken note of and approved by the Board of Directors of the Company in their meeting held on **on 26th April, 2025.**