



# AFFINITY SECURITIES PVT. LTD.

Shaila Towers, Room # 903, J1/16 EP Block, Salt Lake, Kolkata – 700091

CIN No. U67190WB2010PTC153468

## GUIDELINES FOR IDENTIFICATION OF BENEFICIAL OWNERSHIP

“**Beneficial owner**” refers to the natural person(s) who ultimately owns or controls a client and/or the person on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

The term “**beneficial ownership**” is conventionally used in anti-money laundering contexts, to refer to that level of ownership in funds that equates with control over such funds or entitlement to such funds. The term reflects a recognition that a person in whose name an account is opened is not necessarily the person who ultimately controls such funds or who is ultimately entitled to such funds. This distinction is important because the focus of anti-money laundering guidelines – and this is fundamental to the Guidelines – needs to be on the person who has this ultimate level of control or entitlement. Placing the emphasis on this person is a necessary step in determining what the source of funds is. The focus in the Guidelines is on **identifying persons**, in particular circumstances, which should be viewed as having the requisite “**beneficial ownership**”.

There are situations in which the account holder is a legal entity, but in which it is appropriate, for due diligence purposes, to understand who the beneficial owners of such entity are. For instance, a client may wish to organize a private holding company as a vehicle to hold assets; there may be advantages for doing so from an estate planning point of view in that corporate ownership of assets may eliminate estate taxes that might otherwise be imposed. Under these circumstances, the client is the beneficial owner of such company, and the appropriate due diligence would be done on the client, including background checks and inquiry as to source of funds. If appropriate, the trading member should consider identifying the beneficial owner by reference to official identity papers.

This guideline is to meet the requirement to perform client due diligence in order to identify and verify the identity of persons who beneficially own or control the securities account.

This guideline applies primarily to clients who are legal persons or arrangements. The guideline provides information on how to determine beneficial ownership by identifying the individual(s) that own more than 25 percent of a client, those with effective control of a client, and persons on whose behalf a transaction is conducted.

This guideline has been framed to determine the individual(s) who are the beneficial owner(s). A beneficial owner is an individual (a natural person). Therefore the beneficial owner can only be an individual, not a company or organization. There may be more than one beneficial owner associated with the client. Our task is to identify and verify the identity of all the beneficial owners of the client.

As prescribed in the SEBI Circular No. CIR/MIRSD/2/2013 dated January 24, 2013 we have complied with the following guidelines:

**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, we identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

- a) 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.





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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.
- b) In cases where there exists doubt under clause 4 (a) 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.

- c) Where no natural person is identified under clauses 4 (a) or 4 (b) 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, we 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.

**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:** Dealing with foreign investors' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012, for the purpose of identification of beneficial ownership of the client.

We apply three stages for identification of beneficial ownership:

**Stage 1 - Gather Information:** Identification of Client Database. Establish the nature and purpose of their business and the ownership structure. Obtain sufficient information to determine whether they will be subject to enhanced client due diligence, and then establish their source of funds or income if enhanced client due diligence is required.

**Stage 2 – Identify beneficial owners:** The level of Client Due Diligence at Stage two become more apparent. We ask for more information from the client depending on the level of risk.

**Stage 3 – Risk Based Approach:** At this stage we apply a risk based approach to verify the identity of the beneficial owners.