



# AFFINITY SECURITIES PVT. LTD.

Shaila Towers, Room # 903, J1/16 EP Block, Salt Lake, Kolkata – 700091  
CIN No. U67190WB2010PTC153468

## ANTI-MONEY LAUNDERING POLICY

The Government of India has serious concerns over money laundering activities, which are not only illegal but anti-national as well. As a market participant it is evident that strict and vigilant tracking of all transactions of suspicious nature required.

Accordingly the Company has laid down following policy guidelines:

### **Designated Director:**

Mr. Manish Chandak, Managing Director of the company, has been appointed as Designated Director. He will be responsible to ensure overall compliance with the obligations imposed under chapter IV of the Prevention of Money-laundering Act, 2002 and Rules framed there under. The Company shall communicate the details of the Designated Director, such as name, designation and address to the Office of the Director, FIU-IND.

### **Principal Officer:**

Mr. Manish Chandak, Managing Director of the company, has been appointed as the Principal Officer. He will be responsible for implementation of internal controls & procedures for identifying and reporting any suspicious transaction or activity to the concerned authorities. Principle officer has the right of timely access to Client identification data, other CDD information and is able to report the same to senior management or the board of directors.

In the Case of any further Information/clarification is required in this regards, the “Principal Officer” may be contacted.

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### **Purpose & Scope:**

As a Financial Market Intermediary (which includes a stock-broker and depository participant) we need to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Accordingly all the back office and front staff is instructed to observe the following safeguards:

1. No Cash transactions for trading in securities shall be allowed from any client in the normal course of business.
2. Maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA. Such transactions include:
  - Cash/ securities transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.
  - All series of cash/ securities transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
  - All suspicious transactions whether or not made in cash.
3. Frequent off Market transfers from one BO account to another shall be scrutinized and asked for. In absence of valid reason case or found suspicious, it shall be brought to the notice of Principal Officer.
4. Transactions beyond ones declared income: The turnover of the clients should be according to their declared means of income. Any abnormal increase in client’s turnover shall be reported to Principal





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Officer. The Back Office staff should take due care in updating the clients' financial details and shall periodically review the same.

## **Policies & Procedures:**

The main aspect of this policy is the **Customer Due Diligence process (CDD)** which means:

- Obtaining sufficient information about the client in order to identify who is the actual beneficiary owner of the securities or on whose behalf transaction is conducted.
- Verify the customer's identity using reliable independent source document, data or information such as such as Income tax website, Internet, SEBI database.
- **Conduct on-going due diligence and scrutiny of the account/ client to ensure that the transaction conducted are consistent with the clients' background/ financial status, its activities and risk profile.**

The Customer due diligence process includes four specific parameters:

- A. Client Identification Procedure (Risk Profiling)
- B. Policy for acceptance of Client
- C. Other Due Diligence
- D. Suspicious Transactions identification and reporting

## **A) Client identification procedure:**

The 'Know your Client' (KYC) Policy: -

### **a) While establishing the intermediary – client relationship**

- No Trading and/ or Demat account shall be opened unless all the KYC Norms as prescribed from time to time by the SEBI / Exchanges/ Depositories are duly complied with, all the information as required to be filled in the KYC form (including financial information, occupation details and employment details) is actually filled in and the documentary evidence in support of the same is made available by the client. Moreover all the supporting documents should be verified with originals and client should sign the KYC in presence of our own staff and the client should be introduced by an existing clients or the known reference.
- The information provided by the client should be checked through independent source.
- Pan No must be verified from Income Tax Web Site
- Address must be verified by sending Welcome Letter / Quarterly Statement of Account, and in case any document returned undelivered the client should be asked to provide his new address proof before doing any further transaction.
- We must exercise additional due diligence in case of the Clients of Special Category which include but not limited to :-
  - 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) of foreign origin
  - vi. 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)
  - vii. Companies offering foreign exchange offerings
  - viii. 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



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be any of the following – Havens / sponsors of international terrorism, offshore financial centres, tax havens, countries where fraud is highly prevalent.

- ix. Non face to face clients
  - x. Clients with dubious reputation as per public information available etc.
  - xi. Such Other persons who as per our independent judgment may be classified as CSC.
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- ⬆ In case we have reasons to believe that any of our existing / potential customer is a politically exposed person (PEP) we must exercise due diligence, to ascertain whether the customer is a politically exposed person (PEP), which would include seeking additional information from clients and accessing publicly available information etc.
  - ⬆ The dealing staff must obtain senior management's prior approval for establishing business relationships with Politically Exposed Persons. In case an existing customer is subsequently found to be, or subsequently becomes a PEP, dealing staff must obtain senior management's approval to continue the business relationship.
  - ⬆ We must take reasonable measures to verify source of funds of clients identified as PEP.
  - ⬆ The client should be identified by using reliable sources including documents / information and we should obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
  - ⬆ The information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in respect of statutory and regulatory requirement in future that due diligence was observed by the intermediary in compliance with the Guidelines. Each original document should be seen prior to acceptance of a copy.
  - ⬆ Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the higher authority.
  - ⬆ While accepting a client the underlying objective should be to follow the requirements enshrined in the PML Act, 2002 SEBI Act, 1992 and Regulations, directives and circulars issued there under so that we are aware of the clients on whose behalf we are dealing.

## **b) While carrying out transactions for the client**

- ⬆ RMS department should monitor the trading activity of the client and exercise due diligence to ensure that the trading activity of the client is not disproportionate to the financial status and the track record of the client.
- ⬆ Payments department should ensure that payment received from the client is being received in time and through the bank account the details of which are given by the client in KYC form and the payment through cash / bearer demand drafts should not be entertained.

## **c) Reliable on third party for carrying out Client Due Diligence (CDD)**

The Company will not 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. The Company shall be responsible for CDD and undertaking enhanced due diligence measures as applicable to it.

## **B) Policy for acceptance of clients:**

1. The following safeguards are to be followed while accepting the clients:

- a) No account is opened in a fictitious / benami name or on an anonymous basis. To ensure this we must obtain the necessary details in the KYC form and all the necessary documentary evidence in support of the information filled in KYC.



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- b) All supporting documents as specified by SEBI/ Exchanges/ Depositories are obtained and verified. We must verify all the documents submitted in support of information filled in the KYC form with the originals and our own staff should do in-person verification.
- c) Moreover new client should either be introduced by an existing client or by the senior official/ director of the company.
- d) In case we have any doubt that in-complete / fictitious information is submitted by the client, we must ask for such additional information so as to satisfy ourselves about the genuineness of the client and the information of the client before accepting his registration.
- e) We have to check whether the client's identity matches with any person having known criminal back ground or is banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/ regulatory agency worldwide. We have to ensure before opening a new account that the name/s of the proposed customer does not appear in the banned list. Further, we have to continuously scan all existing accounts to ensure that no account is held by or linked to any of the banned entities. Full details of accounts bearing resemblance with any of the individuals/entities in the banned list are required to be intimated to SEBI and FIU-IND.
- f) We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed shareholding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non-face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange, etc.) or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc.). Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category

## 2. Risk Profiling of the Client

We should classify the clients based on the risk they are likely to pose. The aim is to identify clients who are likely to pose a higher than average risk of money laundering or terrorist financing. For this purpose, we need to classify the clients as Low risk, medium risk and high-risk clients. By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high-risk client we have to apply higher degree of due diligence. The factors of risk perception depend on client's location, nature of business activity, turnover, nature of transaction, manner of payment etc.

In order to achieve this objective, all clients of the Company should be classified in the following category:

Category A - Low Risk

Category B - Medium Risk

Category C - High risk

**Category A** clients are those pose low or nil risk. They are good Corporate /HNIs who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares.

**Category B** clients are those who are intra-day clients or speculative clients. These are the clients who maintain running account with Affinity Securities Pvt. Ltd.

**Category C** clients are those who have defaulted in the past and have suspicious background and special category accounts.

We have to be careful while monitoring the transactions of B and C category clients. Apart from this we need to exercise extra caution while monitoring the transactions of NRI/ NRE/ PIO and foreign clients, especially when the payment is being made in foreign currency. Any change in the risk profile of the client/mandate holder, has to be ascertained by the concerned officials, and reported to the Business Head immediately.





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3. Ensure that no account is opened where we are unable to apply appropriate clients due diligence measures / KYC policies. This shall be applicable in cases where it is not possible to ascertain the identity of the client or information provided by the client is suspected to be non-genuine or perceived non co-operation of the client in providing full and complete information. We should not continue to do business with such a person and file a suspicious activity report. We should also evaluate whether there is suspicious trading in the account and whether there is a need to freeze or close the account.

#### 4. Risk Assessment

The Company shall carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients etc. The risk assessment shall also take into account any country specific information that is circulated by the Government of India and SEBI from time to time as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions. This information should be regularly accessed at [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml) and <http://www.un.org/sc/committees/1988/list.shtml>

The risk assessment carried out 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. The assessment shall be documented, updated regularly and made available to competent authorities and self-regulating bodies as and when required.

### C) Other Due Diligence:

#### 1. Conduct ongoing due diligence and scrutiny:

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 registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds; and

The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

#### 2. Monitoring transactions and ongoing due diligence and scrutiny:

At regular interval, ongoing due diligence and scrutiny shall be conducted 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 Organization's knowledge of the client, its business and risk profile, taking into account, where necessary, the customer's source of funds

3. "In pursuance to MCAA and agreement with U.S.A., the Govt. of India has made necessary legislative changes and has notified Rules 114F to 114H under the Income Tax Rules, 1962 which are required to be complied by all the registered Intermediaries while carrying out necessary due diligence."

#### 4. Periodicity of Updating of documents obtained during account opening :

- KYC exercise to be done every year for high risk customers, every three years for medium risk customers and every Five years for low risk customers. Full KYC includes all measures for confirming identity and address and other particulars of the customer that the Affinity Securities Pvt. Ltd. considers necessary based on the risk profile of the customer.



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- KYC exercise including but not limited to Positive confirmation (obtaining KYC related updates through e-mail / letter / etc. /Website updating) for confirming identity & address & other particulars of client.
- The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.

## **D) Suspicious Transactions identification and reporting.**

All are requested to analyze and furnish details of suspicious transactions, whether or not made in cash. It should be ensured that there is no undue delay in analysis and arriving at a conclusion.

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

- Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- Appears to be made in circumstance of unusual or unjustified complexity; or
- Appears to have no economic rationale or bona fide purpose.

### ***Reasons for Suspicious:***

#### **Identity of client**

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Clients in high- risk jurisdiction
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities
- Receipt back of welcome kit undelivered at the address given by the client

#### **Suspicious Background**

- Suspicious background or links with criminals

#### **Multiple Accounts**

- Large number of accounts having common parameters such as common partners / directors / promoters / address/ email address / telephone numbers introducer or authorized signatory
- Unexplained transfers between such multiple accounts.

#### **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 bona-fide purpose
- Source of funds are doubtful
- Appears to be case of insider trading
- Purchases made on own account transferred to a third party through an off market transactions through DP account
- Transactions reflect likely market manipulations
- Suspicious off market transactions





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## 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

## What to Report

- 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
- The parties to the transaction, and
- The reason of suspicion.

## Procedure of Report

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

## E) Suspicious Transactions identification and reporting.

The HR Department is instructed to cross check all the references and should take adequate safeguards to establish the authenticity and genuineness of the persons before recruiting. The department should obtain the following documents:

- 1) Photograph
- 2) Proof of address
- 3) Identity proof
- 4) Proof of Educational Qualification
- 5) References

## F) Retention of records

Records pertaining to active clients and staff details collected for recruitment shall be kept safely. **The Company shall maintain and preserve the record of documents evidencing the identity of its client and beneficial owners (e.g. copies or records of official identification documents like passport, identity cards, driving licenses or similar documents) as well as files and business correspondence for a period of five years after the business relationship between a client and Company has ended or the account has been closed, whichever is later.** We have to retain the statutory and regulatory compliance relating records and cooperate with law enforcement authorities with timely disclosure of information. **The Company shall maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, for a period of five years from the date of the transaction between the client and the Company.**

## G) Retention of records

Company will maintain and preserve the following information in respect of transactions referred to in Rule 3 of PMLA Rules for the period of 5 years.

- I. Client Registration Forms
- II. Contract Note
- III. The nature of the transactions;
- IV. The amount of the transaction and the currency in which it denominated;
- V. The date on which the transaction was conducted; and
- VI. The parties to the transaction.





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## H) Employees' Training

Company adopted an on-going employee training program so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind these guidelines, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

## I) Investors Education

Implementation of AML/CFT measures requires back office and trading staff to demand certain information from investors which may be of personal nature or which have 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 customer with regard to the motive and purpose of collecting such information. There is, therefore, a need for the back office and trading staff to sensitise their customers about these requirements as the ones emanating from AML and CFT framework. The back office and trading staff should prepare specific literature/ pamphlets etc. so as to educate the clients of the objectives of the AML/CFT programme.

## J) Reporting to FIU

As per our observations if any transaction of suspicious nature is identified it must be brought to the notice of the Principal Officer who will submit Suspicious Transaction Reporting (STR) to the FIU if required. In terms of the PML Rules, we 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, Hotel Samrat, Chanakyapuri,  
New Delhi-110021.  
Website: <http://fiuindia.gov.in>

Above said policies are reviewed by us on regular basis to keep it updated as per the various amendments in the PMLA rules.

## K) List of Designated Individuals/Entities:

We understand that 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) is appearing in the website at <http://www.un.org/sc/committees/1267/consolist.shtml>. We ensure that accounts are not opened in the name of anyone whose name appears in said list. We 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. Full details of accounts bearing resemblance with any of the individuals / entities in the list shall immediately be intimated to SEBI and FIU-IND.

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

Section 51A, of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of Section 51A of the UAPA. Under the aforementioned Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic





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resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. We ensure the effective and expeditious implementation of said Order issued vide SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009 is complied with scrupulously.

## **L) Adoption of Policy**

This Policy was reviewed and adopted by the Board of Directors of Affinity Securities Pvt. Ltd. at their meeting held in Kolkata on 18th day of June, 2018.

**This Policy will be reviewed regularly by the Executive Director for its effectiveness since the person reviewing the policy should be different from the person framing the policy.**