POLICY & PROCEDURE

ON

ANTI MONEY LAUNDERING (AML)

BACKGROUND:

Money Laundering (ML) may be defined as cleansing of dirty money obtained from illegitimate activities including drug trafficking, terrorism, organized crime, fraud and many other crimes with the objective of hiding its source and rendering it in legally usable form. It is any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources.

The basic objective of the Act is three fold, viz.:

- To prevent, combat and control money laundering.
- To confiscate and seize the property obtained from the laundered money.
- To deal with any other issue connected with money laundering in India.

The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July 2005. Necessary Notifications / Rules under the said Act have been published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance, and Government of India.

APPLICABILITY ON:

1. Every Banking Company

2. Financial Institutions
    a. Chit Funds
    b. Co-Operative Banks
    c. Housing Financing Institution
    d. Non Banking Financial Company

3. Intermediary

    a. Stock Broker
    b. Sub Broker
    c. Share Transfer Agent
    d. Banker to an Issue
    e. Trustee to a trust deed
    f. Registrar to an Issue
    g. Merchant Banking
    h. Underwriter
    i. Portfolio Manager
    j. Investment Advisor
    k. NPS POP

l. Any other intermediary associated with Financial market

The Company being a PFRDA Registered POP , the Prevention of Money Laundering Policy applies to the Company.

OBLIGATIONS UNDER THE ACT:

As per the provisions of the PMLA, the Company shall have to maintain a record of all ***SUSPICIOUS*** transactions whether or not made in cash and including, interalia, credits or debits into from any non monetary account such as demat account, security account maintained by the registered intermediary.

WRITTEN DOWN ANTI MONEY LAUNDERING PROCEDURES:

The company has established and implemented policies, procedures, internal controls and formulate and had implemented a Client Due Diligence (CDD) programme which effectively serve to prevent and impede Money Laundering (ML) and Terrorist Financing (TF).

The Company communicates all the policies relating to prevention of ML and TF to all level of management and relevant staff that handle subscribers' information (whether in branches or departments).

The Company ensures to comply with relevant statutory and regulatory requirements and Co-operate with the relevant law enforcement authorities, including the timely disclosure of information as and when require.

Appointment of Compliance Officer:

The Board of Directors has appointed a Compliance Officer to put in place all procedures, monitoring & reporting responsibility under the PMLA.

Appointment of Principal Officer:

The Board of Directors has appointed a Principal Officer to ensure compliance with the obligations imposed under chapter IV of the PML Act and the PML Rules.

Appointment of Designated Director:

The Board of Directors has appointed ***Mr. Krishnanand Narnolia, Director*** as designated director of the company to ensure overall compliance with the obligations imposed under the Act & PMLA rules.

KYC norms:

The company has given its best efforts to determine the true identity of subscriber(s) and shall not allow the opening of or keep any anonymous account or account in fictitious names or whose identity has not been disclosed or cannot be verified. Effective procedures has been put in place to obtain requisite details for proper identification of new/ existing subscriber(s).

The Company shall verify the identity, address and recent photograph in compliance with provision as specified in PML Rules.
At any point of time, where Company is no longer satisfied about the true identity and the transaction made by the subscriber, a Suspicious Transaction Report (STR) shall be filed with Financial Intelligence Unit-India (FIU-IND), if it is satisfied that the transaction meets the criteria specified in the PML Rules and guidelines / indicators issued by FIU-IND or PFRDA.

KYC process

The Company may perform KYC process by any of the following methods:

- Aadhaar based KYC through Online Authentication subject to notification by the Government under section 11A of PML Act
- Aadhaar based KYC through offline verification
- Digital KYC as per PML Rules
- "KYC identifier" allotted to the subscriber by the CKYCR
- "Using Digilocker" as prescribed by the PFRDA vide circular no. PFRDA/2021/5/PDES/5 dated 3rd Feburary 2021 (Annexure 3)
- By using certified copy of an 'officially valid document' containing details of the identity and address, recent photograph and such other documents including financial status of the subscribers

- PAN/Form 60 (wherever applicable) and any other documents as may be required

CLIENT DUE DELIGENCE

The Company shall undertake CDD as per the provisions of Rule 9 of PML Rules as follows:

Necessary client due diligence with valid KYC documents of the new subscriber shall be done at the time of commencement of account-based relationship/ client-based relationship.

For Existing subscriber

Necessary CDD with KYC (as per extant PML Rules) shall be done for the existing subscribers from time-to-time basis the adequacy of the data previously obtained

Periodic updation of KYC of NPS account shall be done as follows:
a. In case of NPS Tier II accounts (excluding Tier II Tax Saver Scheme) - Every 3 years.

b. In case of Tier II account, where subscriber is Politically Exposed Person (PEP) – Every 2 years.

c. At the time of exit from NPS Tier I account.

d. Whenever there is upward revision in the risk profile of the subscriber.

e. As and when there are revision or changes in PML Act / PML Rules.

In case the risks of money laundering or terrorist financing are higher, the company shall conduct enhanced due diligence (EDD) measures, consistent with the risks identified.

Due diligence shall be carry out at times when additional/ subsequent contributions are made.

The Company shall identify the source of contribution and ensure that the contribution is being done through the subscriber’s source of funds.

The Company shall not make any payments to third parties on attainment of superannuation except payments to nominee(s)/ legal heir(s) in case of death.

ENHANCE DUE DELIGENCE

Enhanced Due Diligence as mentioned in Section 12AA of PML Act shall be conducted for high-risk categories of subscribers.

The company shall examine, as far as reasonably possible, unusual patterns of transactions, which have no apparent economic or lawful purpose.

Sharing KYC information with Central KYC Registry (CKYCR)

The company shall perform the CKYCR related functions in the manner as prescribed under the PML Rules.

Policy for acceptance of Clients

The Company has 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 (Money Laundering) or TF (Terrorism Financing). By establishing such policies and procedures, the Company is 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:

- No account is opened in a fictitious /benami name or on an anonymous basis and in person verification is done in all the cases before activation of account.

- 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, Clients age, experience etc. The parameters enable classification of clients into low, medium and high risk. Clients of special category are classified as high risk client. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.

- 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 PML rules, directives and circulars.

  The submission of all required documents is a pre-requisite for account opening for all customers. Incomplete application (including incomplete documentation) is to be rejected.

- Ensure that an account is not opened where unable to apply appropriate CCD measures/KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided is suspected to be non-genuine, or there is perceived non-co-operation of the client in providing full and complete information. In these cases the business shall not be continued with such a person and suspicious activity report shall be filed.

- The primary objective of this policy is to ensure that we are aware as to who is the ultimate beneficiary of an account.

- Necessary checks and balance shall 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. The client's details are checked with list of banned entities as published by intermediaries.

Risk Categorization

While assessing the subscriber`s risk profile under pensions schemes regulated / administered by PFRDA, the company may inter-alia take into account the following

- The Company shall check whether the contributions are mandatory contribution viz Employees of central / state government / autonomous bodies / public sector undertakings covered under NPS. These accounts can be treated under lower risk.
- APY being fixed and low contribution pension scheme and NPS Lite being low contribution pension scheme can be treated under lower risk.
- NPS Tier I account on a voluntary basis. These accounts generally involve moderate risk.
- NPS Tier II account, which is a withdrawable account. These accounts involve generally higher risk in comparison to other categories.
- Individuals whose identities and source of income can be easily identified and transactions in whose pension accounts by and large conform to the known profile may be categorized as low-risk. For low-risk subscribers the PRAN account may require only the basic requirements like verifying the identity, current address, annual income and sources of fund of the subscriber are to be met. Notwithstanding the above, in case of continuing relationship, if the situation warrants, as for examples if the subscribers profile is inconsistent with the investment through subsequent contributions, a re-look on subscribers profile is to be carried out.

- For the high-risk profiles, like for subscribers who are non - residents, high net worth individuals, politically exposed persons (PEPs), and those with dubious reputation as per available public information who need higher due diligence, KYC procedures, the company shall ensure higher verification.

Risk Assessment on the basis of the following factors

- Nature of account (For eg - NPS Tier I, NPS Tier II, NPS Tier II Tax Saver Scheme, NPS Lite, APY and any other scheme regulated/administered by PFRDA)
- Source of contribution
- Mode of contribution (Cash / Online / Cheque / DD/ Card/ employers bank account etc)
- Regularity in the flow of contribution (For eg – Contributions under employer and employee relationship)
- Withdrawals under Tier I and Tier II account
- Residence status of subscriber (For eg – Subscribers residing in jurisdiction with higher national risk assessment)
- Politically Exposed Person
- Contributions made by the subscriber vis-à-vis the declared income/ income range
- The documented risk assessment shall be updated from time to time. The company shall consider all the relevant risk factors before determining the level of overall risk. It shall be made available to competent authorities and law- enforcement agencies, as and when required.

Record Keeping:

The Company shall ensure compliance with the record keeping requirements contained in the PFRDA Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

The Company shall ensure that all records and information are available on a timely basis to the competent investigating authorities.

The Company shall put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules.

Retention of records:

The Company shall maintain the records and preserve in such a manner that it can be retrieved easily as and when required.

- The records as mentioned in Rule 3 of PML Rules have to be maintained and preserved for a period of *5 (Five) years* from the date of transactions between the client and the Company.
- Records evidencing the identity of clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of *5 (Five) years* after the business relationship between a client and the Company has ended or the account has been closed, whichever is later.

  In case the records relate to any ongoing investigations or subject to suspicious transaction reporting, the records shall be retained until it is confirmed that the case has been closed.

- 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 *5 (Five) years* from the date of the transaction between the client and the Company.

TRANSACTION MONITORING AND REPORTING (SUSPICIOUS TRANSACTIONS):

The Company shall ensure that appropriate steps are taken to enable suspicious ML or TF transactions to be recognized and have appropriate procedures for reporting suspicious transactions to Financial Intelligence Unit – India(FIU-IND) and the law enforcement authorities in accordance with the guidelines issued by Government of India.

Grounds 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 well -come kit undelivered at the address given by the client

Suspicious Background

- Suspicious background or links with criminals

Multiple Accounts

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

Nature Of Transactions

- Unusual or unjustified complexity
- No economic rationale or bonafied purpose
- Source of funds are doubtful
- Appears to be case of insider trading
- Reflecting market manipulations

Value of Transactions

- Inconsistent with the clients apparent financial standing

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.

LIST OF DESIGNATED INDIVIDUALS/ENTITIES:

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. The Company shall ensure that accounts are not opened in the name of anyone whose name appears in said list. The Company 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 PFRDA and FIU-IND.

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 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.

Accordingly the Company shall ensure effective and expeditious implementation of the procedure laid down in the UAPA order dated August 27, 2009.

REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA:

In terms of the PML Rules, Company is 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

Website: http://fiuindia.gov.in

The company shall carefully go through all the reporting requirements and formats as mandated and would ensure apt compliance.

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: and

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

Suspicious Transaction Reporting (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 suspicious in nature.

The Compliance Officer of the Company will be responsible for timely submission of CTR (Cash Transaction Report) and STR (Suspicious Transaction Report) to FIU-IND.
The Company shall not put any restrictions on operations in the accounts where an STR has been made. The Company and its 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

The Company, 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 it has reasonable grounds to believe that the transactions involve proceeds of crime.

EMPLOYEES AND ASSOCIATES:

Employee Due Diligence:

The H.R. Department will adhere proper due diligence at the time of selection and appointment of any employee/authorized person/sub broker by verifying the information provided in CV and counter checking with the references given or known circle or with the previous employer.

Training:

The company shall have an ongoing employee training program so that the content of these guidelines are understood by all employees, business correspondents, associated Retirement Advisers, PoP Sub-Entity and agents engaged in facilitating distribution of NPS / APY or any other pension scheme regulated or administrated by PFRDA and shall develop awareness and vigilance to guard against ML and TF amongst all.

The frontline staff shall be specially trained to handle issues arising from lack of subscriber education. Proper staffing of the audit function with persons adequately trained.

Internal Control:

The external auditor appointed by the company shall periodically verify compliance with the extant policies, procedures and controls related to money laundering activities on the basis of overall risk assessment. The Company shall also upgrade its questionnaire and system from time-to-time in accordance with the extant PML Act and PML Rules. The Company shall submit audit notes and compliance to the Board.

Investor Education:

Implementation of AML measures may require certain personal information from investors eg; documents evidencing source of funds. This can sometimes lead to raising of questions by the customer with regard to the motive and purpose of collecting such information. The customer is duly educated about requirements of AML. The Company has prepared specific literature to educate and sensitize the clients about the objective and requirements of PMLA.

Review of Policy:

The policy is reviewed on regular interval in accordance with the statutory & other requirement so as to maintain the effectiveness of policies and procedures.