

# **ANTI MONEY LAUNDERING MEASURES**

## **CODE OF CONDUCT ON ANTI MONEY LAUNDERING**

**JUST TRADE SECURITIES LIMITED**

**(Member of NSE , BSE)**

**SEBI Regn. No. NSE - INB/INF 231269334**

**BSE - INB/INF 011269330**

## **Background for formulation of Code of Conduct on Anti Money Laundering Measures**

The reasons of outlining in brief the background for formulation of Code of Conduct on Anti Money Laundering measures by our Company, is to help you understand the background on the subjects of money laundering and terrorist financing and anti-terrorist financing legislation in India.

The Department of Revenue, Ministry of Finance, Government of India has put in place and brought into force the Money Laundering Act, 2002 ('Act') w.e.f July 1, 2005. In this regard necessary Notifications/Rules under the said Act have been published in the Gazette of India.

In pursuance of the above said Act having been brought into force, the Securities Exchange Board of India ('SEBI') vide its Circular bearing no. ISD/CIR/RR/AML/1/06 dated January 18, 2006 ('Circular') has notified the applicability of the anti-money laundering measures on all intermediaries and have advised all intermediaries to ensure to put in place a policy framework/code of conduct as per the guidelines issued in terms of the Act and the Rules.

## **Need for Money Laundering**

Every year huge amounts of funds are generated from illegal activities. These funds are mostly in the form of cash. The persons (anti-social elements/criminals) who generate these funds need to bring them into legitimate financial system ( Over \$1.5 trillion of illegal funds are laundered every year).

## **Consequences of Money Laundering**

Finances Terrorism, destabilizes rule of law and governance, affects the macro economy, affects the integrity/veracity of the financial system, reduces revenue and control.

## **Steps involved in Money Laundering**

- **Placement:-** refers to the physical disposal of bulk cash proceeds, derived from illegal activity;
- **Layering:-** refers to separation of illegitimate proceeds from their source by creating complex layers of financial transactions. Layering covers up the audit trail and provides ambiguity/vagueness.
- **Integration:-** refers to the re-injection of the laundered proceeds back into the economy as normal business funds. Financial Intermediaries and Banks are vulnerable from money laundering point of view

**Why formulation of a Code of Conduct by Just Trade Securities Limited?**

Before addressing the above question, we would like to outline in brief, for your understanding the provision in the Act, which has prompted us in formulation of the Code of Conduct for your convenience.

The law casts certain ***obligations*** on the intermediaries in regard to ***preservation and reporting of certain transactions***. Accordingly all intermediaries **shall put in place a system to maintain proper records of all transactions prescribed in the Rules as mentioned below:**

- (a) All **cash transactions** of the value of more than Rs. 10 lacs or its equivalent in foreign currency.
- (b) All series of **cash 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.
- (c) All **suspicious transactions** whether or not made in cash and by way including, *inter -alia*, credits or debits into from any non monetary account such as demat account, security account maintained by the registered intermediary.”

Since our Company, falls under the category of intermediary, accordingly, in terms of SEBI's aforesaid Circular, our Company has been brought under the purview of the said Act and Rules, in so far as formulation of the **Code of Conduct** is concerned.

If we minutely review the provisions of the Rules, stress has been laid on **“cash transactions of above certain thresh hold limit & suspicious transactions”**.

We are all aware of the fact that our Company as a member of the National Stock Exchange ('NSE') ***do not accept “CASH” from our clients***, who intend to make investment in securities more particularly shares/stocks etc. Hence, the maintenance of record of transactions, the nature and value thereof do not apply to our Company however ***monitoring & reporting of suspicious transactions*** becomes all the more important.

## **CODE OF CONDUCT ON ANTI MONEY LAUNDERING**

### **Steps to be followed in terms of this**

#### **I. Client/Customer Due Diligence Process**

Upon coming into force of this Code of Conduct, you are advised to ensure the “Overall Client Due Diligence Process” before you open an account / accept investments from the “EXISTING CLIENTS” or “PROSPECTIVE CLIENTS”.

#### **The Due Diligence Process shall include:**

(a) Obtain sufficient information in order to identify persons, who beneficially own or control 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 should be identified using client identification and verification procedures.

***“The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.”***

(b) Verify the customer’s identity using reliable, independent source documents, data or information;

(c) Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the customer and/or the person on whose behalf a transaction is being conducted;

(d) Verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c); and

(e) Conduct ongoing due diligence and scrutiny.

**Please Note:** The above due diligence process is laid down to help you in verifying and establishing the identity of the client/prospective client, the beneficial owner of the securities.

**The check list/documents to be taken from the clients is provided herein below in this code of conduct, which will help you in the due diligence process. Apart from the Check list provided herein below, there are certain set of documents to be taken as per NSE norms, which needs to be adhered to from time to time.**

## II. Client Acceptance Policy

Subject to the acceptance of documents provided in the checklist here in below, as a policy framework, before registering a person as our valued client, you are requested to ensure to get the “ **ACCOUNT OPENING FORM**” duly filled and call for the documents listed in the check list including the documents as per SEBI & NSE guidelines depending upon the status of the person. **Filling up of this form is mandatory.** Non-compliance of the above shall be deemed to be violation of the Code of Conduct.

Use your reasonable/best efforts in establishing that the identity of the client does not match with any person having known criminal background. In the event you have reasonable doubts of a criminal background of a client, inform the Management/Principal Officer of the same.

## III. Client Identification Procedure

Under the “**Know Your Client**” policy:

- Ensure to obtain adequate information to your satisfaction to establish the client identity;
- Gather all necessary information of the client through the Account Opening Form;
- Request for all the documents from the client as detailed in the checklist including the documents as per NSE and NSDL guidelines;
- Failure by client to provide satisfactory documentary evidence of identity should be noted and informed to the Management/Principal Officer.
- Ensure that no account is opened /no investment is made in fictitious name/benami name or on an anonymous basis.

## IV. Suspicious Transactions : Monitoring & Reporting

Under the Act and the Rules, we are under an obligation to report Suspicious Transaction to the concerned authorities. Following are some instances of Suspicious Transaction and in the event you counter any such circumstances, you are instructed to report the same to the Management/Principal Officer immediately:

Following are some instances of Suspicious Transactions

- Client putting in large amount of margin money, contrary to his income/tax return proofs;
- Client whose identity verification seems to be difficult or clients appear not to cooperate;
- Multiple accounts with the common address/partners/directors/promoters/authorized signatories
- False details provided by the Client;

- Substantial increase in activity in the account without any apparent cause;
- Client insisting on payment in third party name or off-market third party transfers without justified reason(s).
- Transaction with no apparent economic or business rationale;
- Large deals at prices away from market;
- Sudden activity in dormant accounts;
- Accounts used only for funds transfers..

*\*The above list is only illustrative in nature to identify the suspicious transaction.*

On going monitoring of accounts is an essential. Such monitoring should result in identification and detection of apparently abnormal transactions, based on laid down parameters.

### **Monitoring**

On going monitoring of accounts is an essential. Such monitoring should result in identification and detection of apparently abnormal transactions, based on laid down parameters.

The basis of devising such parameters and to generate alerts / exception reports could be:

Clients' Profile;  
Nature of Business;  
Trading Pattern of clients; etc.

Continuous updation of clients' information should be done in particular by updating clients' financial and income status by calling upon the client to submit his/her/its of their latest Income Tax Returns (ITRs) etc

### **Reporting:**

Processes for alert generation / exception reports, examination and reporting include :

- Audit trail for all alerts generated till they are reported to FIU or closed.
- Proper and completes documentation of such audit trail is must.
- Clear enunciation of responsibilities at each stage of process from generation, examination, recording & reporting.
- Escalation through the organization to the Principal Officer.
- Confidentiality of Suspicious Transaction Reports (STRs) filed.
- Retention of records.

**V. Risk Based Categorization:**

Based on the due diligence of a client, a client may be categorized as a “high”, “medium” or “low” risk category. This categorization may be done on the basis of following parameters:

- Client’s Background,
- Nature of business
- Nature of transaction
- Client’s risk appetite
- Past trading pattern etc.

Clients’ due diligence is to be done on the basis of above said parameter and process for higher risk categories of customers. Conversely, a simplified customer due diligence process may be adopted for lower risk categories of customers.

Following is the illustrative list of high Risk clients

- Non resident clients
- High networth clients,
- Trust, Charities, NGOs and organizations receiving donations
- Companies having close family shareholdings or beneficial ownership
- Politically exposed persons (PEP) of foreign origin
- 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)
- Companies offering foreign exchange offerings
- 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 centers, tax havens, countries where fraud is highly prevalent.
- Non face to face clients
- Clients with dubious reputation as per public information available etc.
- The above mentioned list is only illustrative and the intermediary should exercise independent judgment to ascertain whether new clients should be classified as CSC or not.

**CHECK LIST/DOCUMENTS TO BE CALLED FOR CLIENT IDENTIFICATION**

| S. No. | In case the Client is an | Documents to be obtained                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1      | <b>INDIVIDUAL</b>        | <p>1) One <b>certified copy</b> (self certified) of the following documents:-</p> <ul style="list-style-type: none"> <li>a) Passport; or</li> <li>b) Voter's ID; or</li> <li>c) Driving License</li> </ul> <p>2) Copy of PAN is a must</p> <p>3) One signed recent passport size photograph</p> <p>In the event an individual has granted a power of attorney in favour of some one to act on his behalf. Ensure to obtain:</p> <ul style="list-style-type: none"> <li>a) A duly notarized copy of the power of attorney so granted; <ul style="list-style-type: none"> <li>a) Any of the documents listed in (1) above of the POA holder;</li> <li>b) Copy of PAN of the POA holder.</li> <li>c) One signed recent passport size photograph.</li> </ul> </li> </ul> |
| 2      | <b>COMPANY</b>           | <p>1) One certified copy of the following documents. <b>Copy should be certified by the authorized signatory:-</b></p> <ul style="list-style-type: none"> <li>a) Certificate of Incorporation;</li> <li>b) Memorandum and Article of Association;</li> <li>c) Certified copy of the resolution from the Board of Directors for the investment <b>or</b> Power of Attorney, if any, granted to its Director, manager, officer or employee to transact on behalf of the Company;</li> </ul>                                                                                                                                                                                                                                                                            |



**For internal consumption**

|   |                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                         | <ul style="list-style-type: none"> <li>d) Copy of Address Proof (say Form 18);</li> <li>e) Copy of IT Return for last two years <b>OR</b> Certified Copy of the Audited Annual Accounts for the last two years;</li> <li>f) Copy of PAN;</li> </ul> <p><b>Note:</b> Where the Company has granted a POA in favour of any of its Director, manager, officer or employee, to transact on behalf of the Company, ensure to take a any one of the following documents of the POA holder: (Self Certified copy of)</p> <ul style="list-style-type: none"> <li>a) Passport; or</li> <li>b) Voter's ID; or</li> <li>c) Driving License.</li> <li>d) PAN</li> </ul>                                                                                                                                     |
| 3 | <b>PARTNERSHIP FIRM</b> | <p>2) One certified copy (<b>duly certified by the authorized person</b>) of the following documents</p> <ul style="list-style-type: none"> <li>a) Registration certificate of the Partnership Firm, if any.</li> <li>b) Partnership deed</li> <li>c) IT Return of the last two years or annual audited accounts of the firm of the last two years</li> <li>d) Copy of PAN; and</li> <li>e) Copy of relevant document evidencing that the authority has been granted to a person to transact on behalf of the firm</li> <li>f) Any one of the following documents in respect to the person authorized to transact on behalf of the firm:- <ul style="list-style-type: none"> <li>a) Passport; or</li> <li>b) Voter's ID; or</li> <li>c) Driving License.</li> <li>d) PAN</li> </ul> </li> </ul> |

|   |                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4 | <b>TRUST</b>                                               | 1) Certified Copy (duly certified by the authorized signatory) of the following document:-<br>a) Registration certificate, if any;<br>b) Trust deed;<br>c) IT Return of last two years or annual accounts.<br>d) Copy of PAN<br>e) Power of attorney or proof of authority granted to a person to transact on behalf of the Trust; and<br>f) in respect of a person holding power of attorney or authority to transact on behalf of the trust; any one of the following documents<br>a) Passport; or<br>b) Voter's ID; or<br>c) Driving License.<br>d) PAN |
| 5 | <b>UNINCORPORATED ASSOCIATION OR A BODY OF INDIVIDUALS</b> | 1) Certified Copy (duly certified by the authorized signatory) of the following document:-<br>a) Resolution of the Managing body of such association or body of individuals;<br>b) Power of attorney granted to him to transact on its behalf; and<br>c) in respect of a person who transact on behalf of the trust; any one of the following documents<br>a) Passport; or<br>b) PAN; or<br>c) Voter's ID; or<br>d) Driving License.                                                                                                                       |

Further, the documents as per NSE and NSDL guidelines needs to be mandatorily taken from the client under his/her/its self attestation.

Please note that the above code of conduct is subject to change/revision/modification.

**Contact Details of the Principal Officer**

Should you require any further information/clarification, please feel free to contact

Principal Officer  
Just Trade Securities Limited  
5<sup>th</sup> Floor, Bajaj House, 97, Nehru Place,  
New Delhi – 110 019  
Ph(O): 011-4169-3000; Fax: 011-26476638.

Reference Websites:

<http://fiuindia.gov.in>

[www.sebi.gov.in](http://www.sebi.gov.in)

[www.nseindia.com](http://www.nseindia.com)