

**POLICY ON PREVENTION OF
MONEY LAUNDERING**

JUST TRADE SECURITIES LIMITED

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 Prevention of 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 Master Circular bearing no. CIR/ISD/AML/3/2010 dated December 31, 2010 ('Master Circular') as amended vide its circular bearing no. CIR/MIRSD/1/2014 dated March 12, 2014 has notified the anti-money laundering measures applicable 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.

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 regarding *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 threshold limit & suspicious transactions”**.

We are all aware of the fact that our Company as a member of the National Stock Exchange of India Limited ('NSE') and BSE Limited ('BSE') ***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 investment 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 checklist provided herein below, there are certain set of documents to be taken as per NSE/BSE norms, which needs to be adhered to from time to time.

Reliance on third party for carrying out Client Due Diligence (CDD)

The Company may, subject to the conditions that are specified in Rule 9(2) of the PML Rules and shall in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time, rely on 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.

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/BSE 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/BSE 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.
- Ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.

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.*

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Monitoring

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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 Profiling

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 transactionrete
- Client’s risk appetite
- Past trading pattern etc.

Clients’ due diligence/risk assessment shall be carried out with respect to the 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 (which can be accessed from the following links:-

http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml; and
<http://www.un.org/sc/committees/1988/list.shtml>).

Further, the risk assessment shall also consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied.

Following is an illustrative list of **High** Risk clients :-

- a) Non-resident clients
- b) High Networth clients,
- c) Trusts, Charities, NGOs and organizations receiving donations
- d) Companies having close family shareholdings or beneficial ownership
- e) Politically Exposed Persons (PEP) of foreign origin
- 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
- 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 centers, tax havens, countries where fraud is highly prevalent.
- i) Non-face to face clients
- j) Clients with dubious reputation as per public information available etc.

The abovementioned list is only illustrative, and the intermediary should exercise independent judgment to ascertain whether new clients should be classified as CSC or not.

VI. Record Keeping

The record of documents evidencing the identity of its clients and beneficial owners (e.g. copy(ies) or records of official identification documents like passports, identity card/s, driving licenses or similar documents) as well as account files and business correspondence shall be maintained and preserved for a period of eight years or such further period/s as may be prescribed, from time to time, under the applicable laws and the rules framed there under, after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.

In addition to the above, the record of information related to transaction/s, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rule 7 and 8 of the PML Rules and/or such other applicable authority as may be prescribed, shall also be maintained and preserved for a period of eight years or such further period/s as may be prescribed, from time to time, under the applicable laws and the rules framed there under, from the date of the transaction between the client and the intermediary.

VII. Appointment of Principal Officer & Designated Director

In addition to the existing requirement of designation of a Principal Officer, the registered intermediary(ies) shall also designate a person as a 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules, the definition of a **Designated Director** reads as under:

“**Designated Director** means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes —

- (i) the Managing Director or a Whole-time Director duly authorized by the Board of Directors if the reporting entity is a company,

- (ii) the managing partner if the reporting entity is a partnership firm,
- (iii) the proprietor if the reporting entity is a proprietorship concern,
- (iv) the managing trustee if the reporting entity is a trust,
- (v) a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and
- (vi) such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above."

Procedure for freezing of funds, financial assets or economic resource or related to service

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.

The obligations to be followed by intermediaries to ensure the effective and expeditious implementation of said Order has been issued vide SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009, which needs to be complied with scrupulously.

The procedure for freezing the assets of a client, both in the Stock Broking Segment and the Depository segment are outlined:

Primarily it is the responsibility of every person to follow and carry out the instructions issued by the competent authority. The freezing/attachment of any assets like credit balance or securities in the demat account and securities that are to be received on account of purchases, has to be in accordance with a written order from the Competent Authority. On receipt of such a direction, the designated director (or in his absence the Principal Officer) will immediately ensure suspension of the accounts of the named person as per the direction stated in the order.

Broking Segment: Suspension of UCC and information to all terminal operators. Also check if any purchases are still to be received.

Depository Segment: Freeze order to prevent outward transactions.

The release can be done only after receipt of written Release Order from the relevant.

Procedure for employee hiring and training.

Since the business of Stock Broking is extremely confidential in nature, it is of prime importance that the prospective employee bears good character and high integrity. Reference from previous employer(s) as far as possible and also reference to our known person for verification and recommendation should invariably be ascertained. There should not be the slightest doubt in the person's past record of any unacceptable conduct. The SEBI and other websites should also be checked for their banned lists.

All staff member are required to read the circulars, literature and other information issued by the Regulatory Authorities like SEBI, the exchanges, the Depositories from time to time and keep

themselves updated. These circulars are provided and it is important that all staff read and discuss any doubts, suggestions that may arise. In fact, the company welcomes all ideas and suggestions on this subject. The staff members are encouraged to attend seminars and other educational meetings to learn update and broaden their understanding of the PML Act in letter and spirit. There would be differing requirements for the staff depending on their functions.

The focus and attention should be accordingly programmed for the front end staff and back office so that they are familiar with the risk management in transacting and induction of new clients. Compliance and application of the obligations and requirements consistently.

Our training will include at a minimum: how to identify red flags and signs of money laundering that arise during the course of employee's duties; what to do once the risk is identified; what employee roles are in the company's compliance efforts and how to perform them, the company's record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the PMLA Act.

We will review our operations to see if certain employees such as those in compliance, margin and corporate security require specialized additional training. Our written procedures will be updated to reflect any such changes.

Formulate/Review/Training on the Internal Policy and Procedure to All Staff/Sub-Brokers/Authorised Person

- This internal policy and procedure should be brought to the notice of all employees.
- All sub-brokers/authorized person shall be intimated on the applicable provisions of The Prevention of Money Laundering Act, 2002 and the reporting mechanism.
- Staff training and implementing specific procedures for customer identification and retaining internal records of transactions.
- The Internal Policy should be placed before the Head and if any changes in the policy are warranted, the revised policy should be placed before the Head for review and approval.
- We shall have adequate screening procedures in place to ensure high standards when hiring employees, having regard to the risk of money laundering and terrorist financing and the size of the business, we ensure that all the employees taking up such key positions are suitable and competent to perform their duties.
- Participation of all the Key Employees in the Seminars conducted by various Regulatory bodies from time to time, so that the members of the staff are adequately trained in AML and CFT procedures.
- All the Circulars issued by various Regulatory bodies including that of PMLA, are circulated to all the staff.

Policy for Recruitment of personnel

The Recruiting staffs are instructed to cross check all the references and should take adequate safeguard to establish the authenticity and genuineness of the persons before recruiting. The following documents must be obtained:

- Photographs
- Proof of address
- Identity proof
- Proof of Educational Qualification
- References

CHECK LIST/DOCUMENTS TO BE CALLED FOR CLIENT IDENTIFICATION

S. No.	In case the Client is an	Documents to be obtained
1	INDIVIDUAL	<p>1) One certified copy (self certified) of the following documents:-</p> <ul style="list-style-type: none"> a) Passport; or b) Voter's ID; or c) Driving License d) Aadhaar <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"> a) A duly notarized copy of the power of attorney so granted; <ul style="list-style-type: none"> a) Any of the documents listed in (1) above of the POA holder; b) Copy of PAN of the POA holder. c) One signed recent passport size photograph.
2	COMPANY	<p>1) One certified copy of the following documents. Copy should be certified by the authorized signatory:-</p> <ul style="list-style-type: none"> a) Certificate of Incorporation; b) Memorandum and Article of Association; c) Certified copy of the resolution from the Board of Directors for the investment or Power of Attorney, if any, granted to its Director, manager, officer or employee to transact on behalf of the Company; d) Copy of Address Proof (say Form 18); e) Copy of IT Return for last two years OR Certified Copy of the Audited Annual Accounts for the last two years; f) Copy of PAN <p>Note: 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 his/her PAN and any one of the following documents of the POA holder: (Self Certified copy of)</p> <ul style="list-style-type: none"> a) Passport; or b) Voter's ID; or c) Driving License. d) Aadhaar
3	PARTNERSHIP FIRM	<p>2) One certified copy (duly certified by the authorized person) of the following documents</p> <ul style="list-style-type: none"> a) Registration certificate of the Partnership Firm, if any. b) Partnership deed

		<ul style="list-style-type: none"> c) IT Return of the last two years or annual audited accounts of the firm of the last two years d) Copy of PAN; and e) Copy of relevant document evidencing that the authority has been granted to a person to transact on behalf of the firm 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"> a) PAN is mandatory. b) Passport; or c) Voter's ID; or d) Driving License. e) Aadhaar
4	TRUST	<ul style="list-style-type: none"> 1) Certified Copy (duly certified by the authorized signatory) of the following document:- <ul style="list-style-type: none"> a) Registration certificate, if any; b) Trust deed; c) IT Return of last two years or annual accounts. d) Copy of PAN e) Power of attorney or proof of authority granted to a person to transact on behalf of the Trust; and 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 <ul style="list-style-type: none"> a) PAN is mandatory b) Passport; or c) Voter's ID; or d) Driving License. e) Aadhaar
5	UNINCORPORATED ASSOCIATION OR A BODY OF INDIVIDUALS	<ul style="list-style-type: none"> 1) Certified Copy (duly certified by the authorized signatory) of the following document:- <ul style="list-style-type: none"> a) Resolution of the Managing body of such association or body of individuals; b) Power of attorney granted to him to transact on its behalf; and c) in respect of a person who transact on behalf of the trust; any one of the following documents <ul style="list-style-type: none"> a) PAN is mandatory b) Passport; c) Voter's ID; d) Driving License; e) Aadhaar.

Further, the documents as per NSE/BSE 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, which may be carried out due to changes in the applicable laws, rules etc.

Review:

This policy is drafted by the Compliance Department of the Just Trade Securities Limited and reviewed and adopted by the Board of Directors in its every Board Meeting. The Principal Officer of the Company shall be responsible for implementation of this policy.

The policy shall be reviewed on yearly basis and from time to time as and when required by the Management and also implement the change after any change in the Act through amendment in the Act, Provision or any circular issued in this manner.

Contact Details of the Designated Director & Principal Officer

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

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Reference Websites:

<http://fiuindia.gov.in>
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www.bseindia.com
http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml
<http://www.un.org/sc/committees/1988/list.shtml>