

## ZEN SECURITIES LIMITED (Stock Broking and DP)

### Our Company's guidelines for Ant-Money Laundering

Zen Securities Ltd (ZSL) resolved that as an internal policy shall take adequate measures to prevent money laundering and shall put in place a frame work to report cash and suspicious transactions to FIU-India as per guidelines of PMLA Rules 2002.

Implementation of this Policy is assigned to the Principal Officer, who will be responsible for a) implementation of PMLA guidelines; b) act as central reference point and play an active role in identification and assessment of potentially suspicious transactions; c) ensures that ZSL shall discharge its obligation to report cash and suspicious transactions to FIU- India. The Company has appointed Ms Anasuya Sahu as Principal Officer.

- ❖ **Policies and procedures**
- ❖ **Policy and procedure of identifying /acceptance of clients**
- ❖ **Transaction monitoring and reporting of suspicious transactions**
  - Policy of acceptance of clients
  - Procedure for identifying the clients
  - Customer due diligence.
  - Risk based approach
  - Suspicious transaction reporting

#### **Customer Due Deligence**

##### Policy of acceptance of clients

The clients such as individuals, HUF's, Firms (registered or unregistered), Public Limited Companies, Private Limited Companies, Non Resident Indians and Persons of Indian Origin get registered as a client after strictly following Know Your Client formalities prescribed by SEBI / Exchanges in this regard. The company will not allow benami or fictitious accounts where the client is desirous of keeping his/its identity confidential or secret. Walk-in clients are generally enrolled on interviewing the client and upon verification of all the requirements thoroughly. The company will not allow multiple client accounts with transposition of the names of the clients or in short forms.

##### Procedure for identifying the clients

ZSL generally register a client who is referred to ZSL. We will verify customer identity through documentary evidence apart from mandatory in- person verification carried by our employees / AP's. We verify the original documents to establish the customer's identity and address. While analyzing the information, we will consider whether there is a logical consistency among the information provided, such as the customer's name, street address, PIN code, telephone number, date of birth, etc. Sufficient information will be obtained to establish the identity of the beneficial owner who ultimately own, control and influence the entity on whose behalf the transactions will be effected. The company does not rely on third party for the purpose of verification and identification of client identity and other details.

ZSL has in place system for cross verification of the identity of a client in order to ensure that he/she/it is not a suspected entity. For that the notices /circulars issued by the regulatory agencies are mapped to generate alerts.

The updated list of individuals and entities which are subject to various sanctions such as freezing of assets/accounts denial of finanacial services,shall be continuously scanned and followed to ensure that no

such account is held/opened by said individuals/entities We have placed UNSCR list on our website and we are verifying the details.

Details of the clients are updated in the back office system after exercising due diligence regularly.

### Risk based approach

ZSL has envisaged the underlying risk and accordingly has categorized the clients into low risk and high risk clients .The following are segregated as special category clients of high risk to enable ZSL to understand the risk profile of the client and for exercising appropriate due diligence. The risk assessment shall be carried out to identify, assess and take effective measures.

The High Network Clients accounts having turnover of more than Rs. 1 crore per day will be specifically monitored.

### Clients of Special Category

- 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). Politically exposed persons are individuals, who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The additional norms applicable to PEP as contained in the subsequent clause 5.5 (Page 19 of the Master Circular) shall also be applied to the accounts of the family members or close relatives of PEPs,
- vi. Companies offering foreign exchange offerings,
- vii. Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, 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,
- viii. Non face-to-face clients,
- ix. Clients with dubious reputation as per public information available etc

### **Information being maintained ,Record Keeping and Retention of records**

Details of transactions like names of the clients nature of transaction,dateof transaction ,amount of transaction, parties to the transaction and all other relevant information like accounting and banking/funds,securities information is maintained apart from all the records/documents pertaining to the client like KYC forms and their supporting documents.

Record is maintained in respect of clients of domestic or/NRIs/companies/firms for transactions of the value more than Rs. 10 lakhs or its equivalent in foreign currency and for all series of transaction integrally connected to each other, which are below 10 lakhs or its equivalent in foreign currency in one month and for all suspicious transactions whether or not made in cash and including ,inter-alia, credits or debits into/ from any non-monetary account such as demat account/ security account maintained .

All the details of nature, date,value of the transaction and the manner in which the payment has been made and the details of the parties to the transaction are maintained and the records shall be kept and retained for a period of 5 years after closure of account or end of business relationship with the client whichever is later or as prescribed by the competent authority from time to time.The records of information submitted to Director, FIU shall be maintained and preserved for 5 years from the date of transaction between client and ZSL.

The company shall appoint Designated Director as required to ensure with overall compliance with obligations under PMLA rules pursuant to SEBI circular dated 12.3.2014. Accordingly the company has designated Mr Pratap Kantheti as Designated Director.

### **Surveillance System for monitoring Transactions / suspicious transactions Monitoring and Reporting thereof.**

The management of the company understands the need for robust surveillance mechanism so as to avoid possible misuse of the trading mechanism. Accordingly, one committee consisting of senior staff members was set up to look into the issue and suggest the system to be implemented to strengthen the surveillance mechanism. As per the suggestions received from the committee, presently we have online and offline surveillance system. Presently, the surveillance team consists of 2 members namely Mr Y Pratap and Ms Anasuya Sahu, under the guidance of Managing Director. The surveillance team is carrying out following job functions:-

On the basis of surveillance system as being implemented presently if we have doubt on certain transactions then due diligence shall be enhanced so as to know the genuineness of the transactions and the rationale behind the transactions and even after enhancing due diligence if doubt persists then such transactions shall be immediately discussed with top management and decision regarding the reporting the same shall be taken.

If the top management based on the alerts generated by surveillance system is satisfied that the transaction is of suspicious nature then the same shall be reported to relevant authority i.e FIU, within prescribed time by the Principal Officer of the Company.

#### **A. Online Surveillance.**

We have allocated scrip/value limits. The Surveillance/ Risk Team gives limit in a very conservative manner, especially, in Trade for Trade scrips/illiquid scrips. Further 100% margin is collected in such scrips to obviate risk. Any limit accretion requests are considered and the same are released up on review. The surveillance/risk team watches the online trades as they happen and extra -ordinary volume in the particular scrip is immediately investigated by calling up the branch and asking for details of clients and as per the details made available, the clients previous purchase or sales transactions are looked into.

#### **B. Offline Surveillance.**

1. Surveillance/risk team has prepared special filters in an excel format wherein the trades scrip wise are uploaded and reviewed vis-à-vis the exchange volume in that scrip.
2. All the scrips where our volumes are greater than 25 % are scanned for its participation vis-à-vis exchange volume on earlier days to see if a trend is discernible. If there is a visible pattern, these scrips are put in "SCRIP ALERT".
3. Group / Branch concentration is looked out for such "SCRIP ALERT" scrips.

4. After due investigation Surveillance/Risk Team reports to the Director its finding and thereafter such scrip is disabled for trading for that client / branch and in some cases on the whole network or shifted to a special category where 100% margin is collected.

#### **Client-wise surveillance**

1. All the clients who have traded in the scrip placed in "SCRIP ALERT" are scrutinized for their other scrip dealings.
2. Looking at the general quality of scrip's that they are dealing in, the Manager reports to the Director for further action on whether we want to continue to deal as a broker for that client or not.
3. Intraday Scrip Wise Volume:- We have developed a software module which offline tracks the intraday loss of all clients. The Surveillance /Risk Team scrutinizes to look at any unnatural volumes.
4. Exchange alerts received on a daily basis are reviewed and suitable action is initiated wherever required

#### **Employees hiring/training/investor education**

The company has procedure of hiring employees. The employees are thoroughly interviewed and their identity and other documents are verified before recruiting them. Most of the employees are the persons who are referred by the company's associated, existing employees, etc. The employees are imparted training for about three months which inter-alia includes the briefing them about the need and importance of PMLA guidelines. Refresher courses are conducted periodically for the existing employees, wherein the latest developments in the capital market including the importance and need of PMLA guidelines are explained.

Similarly periodical branch/investor awareness programmes are conducted to bring to the knowledge of the branch staff/ investors about the importance and need of PMLA guidelines.

The above policy guidelines shall be reviewed as per requirement and modified atleast once in six months accordingly. The review of the policy shall be done by the executive other than the executive who originally drafted the policy.