

## ZEN SECURITIES LIMITED

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

- ❖ **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
  - Suspicious transaction reporting and
  - Customer due diligence.
  - Risk based approach

#### **Customer Due Diligence**

##### 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.

##### 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. We verify the original documents to establish the customer's identity. 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.

Walk-in clients are generally enrolled on interviewing the client and upon verification of all the requirements thoroughly by our employees. However they will be placed under continuous observation for 6 months.

The company will not allow benami or fictitious accounts where the client is desirous of keeping his/its identity confidential or secret.

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

The company will not allow multiple client accounts with transposition of the names of the clients or in short forms.

### Risk based approach

The clients will be placed under low, medium and high-risk category based on their turnover per day. The client's transaction in a single day for less than Rs.1 lakh will be placed under the low risk category, less than 10 lakhs will be under the medium risk and more than Rs.10 Lakhs transaction on a single day will be high risk category.

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 due diligence

The High Networth Clients account having turnover of more than Rs. 1 crore per day will be specifically monitored and separate watch will be kept on the flow of funds, securities, the trail of funds etc.

### **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, date of 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 as prescribed by the competent authority from time to time.

#### **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 3 staff members headed by our Director Mr. R Namashivaya. 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.

#### **Scrip-wise Surveillance**

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

1. The surveillance 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.
2. We have allocated group limit for A, B1, B2, T, TS and Z group. The Surveillance Team gives limit in a very conservative manner, especially, in Z, T and TS group.
3. In T and TS group, we have a default limit of just Rs.1 lakh and we generally discourage our network to trade further. Any limit accretion requests are first investigated and then upon being satisfied with the bonafides of the trade as well as the client, limits are accordingly increased.
4. Staff members who are monitoring the trades daily, report any change in the pattern in trading / limit enhancement, once a week to the director for further investigation.

## **B. Offline Surveillance.**

1. Surveillance 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 20 % 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". A "SCRIP ALERT" is emailed to all the department heads within the organization so that all are on guard.
3. Group / Branch concentration is looked out for such "SCRIP ALERT" scrips.
4. Price movement over a 3 / 6 months period is also tracked.
5. After due investigation (which normally takes two weeks), Surveillance 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.

### **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 scrips 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. Intra day Scrip Wise Volume:- We have developed a software module which offline tracks the intraday loss of all clients. The Surveillance Team prepares & scrutinizes the statement to look at any unnatural volumes

### **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 programs are conducted to bring to the knowledge of the branch staff/ investors about the importance and need of PMLA guidelines.