



Definedge Securities Broking Private
Limited

POLICIES AND PROCEDURE FOR PREVENTION OF MONEY
LAUNDERING

(as per the PMLA Act (Amended), 2002)

Policy prepared by	Policy reviewed by	Policy prepared on	Date of First Review	Date of Second Review
Compliance team	Management	20 th April 2022	9 th January 2023	4 th January 2024

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(As per the PMLA Act, 2002)

Policy revised as per SEBI Circular SEBI circular CIR/MIRSD/2/2013 Jan 2013, CIR/MIRSD/1/2014, SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2018/ 104 and SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022

1. Company Policy

It is the policy of the company to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets.

2. Principal Officer Designation and Duties

The company has designated Mr. Sanjay Shivana Nayak as the Principal Officer for its Anti-Money Laundering Program, with full responsibility for the company AML program is qualified by experience, knowledge and training. The duties of the Principal Officer will include monitoring the company compliance with AML obligations and overseeing communication and training for employees. The Principal Officer will also ensure that proper AML records are kept. When warranted, the Principal Officer will ensure filing of necessary reports with the Financial Intelligence Unit (FIU – IND)

The company has provided the FIU with contact information of the Principal Officer, including name, title, mailing address, e-mail address, telephone number and facsimile number. The company will promptly notify FIU of any change to this information.

3. Appointment of Designated Director

In addition to the existing requirement of designation of a Principal Officer, we have appointed Mr. Prashant Shah as a 'Designated Director' in terms of Rule 2 (ba) of the PML Rules & we have communicated same to the FIU- IND.

4. Customer Due Diligence/KYC Standards

Definedge Securities has onboarded Best suited Anti Money Laundering Software application from SECMARK CONSULTANCY LTD which enables us to:

- Enroll clients with full confidence that they are not tainted. Test each client against the most comprehensive database of debarred entities.
- Monitors client's transactions and generates real time alerts for suspicious transactions.



New customer acceptance procedures adopted include following processes:

- a. Customer identification and In-person verification of the customer, depending on nature /status of the customer and kind of transactions that are expected by the customer. Also at the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship. .
- b. One certified copy of an 'officially valid document'(OVD) containing details of his identity and address, one recent photograph and such other documents including in respect of the nature of business and financial status of the client, OVD includes:
 - A. The passport,
 - B. the driving license,
 - C. proof of possession of Aadhaar number,
 - D. the Voter's Identity Card issued by Election Commission of India,
 - E. job card issued by NREGA duly signed by an officer of the State Government and
 - F. the letter issued by the National Population Register containing details of name, address, or any other document as notified by the Central Government in consultation with the Regulator.
- c. PML Rules allows an investor to submit other OVD instead of PAN, however, in terms of SEBI circular MRD/DOP/Cir- 05/2007 dated April 27, 2007 the requirement of mandatory submission of PAN by the investors for transaction in the securities market shall continue to apply.
- d. The RI shall forward the KYC completion intimation letter through registered post/ speed post or courier, to the address of the investor in cases where the investor has given address other than as given in the OVD. In such cases of return of the intimation letter for wrong / incorrect address, addressee not available etc., no transactions shall be allowed in such account and intimation shall also sent to the Stock Exchange and Depository.
- e. Compliance with guidelines issued by various regulators such as SEBI, FIU, RBI etc.
- f. Establishing identity of the client, verification of addresses, mobile numbers and other details.
- g. Obtaining sufficient information in order to identify persons who beneficially own or control the trading account and demat account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by entity other than the client.
- h. Verification of the genuineness of the PAN provided by the client such as comparing with original PAN, checking details on the Income tax website etc.
- i. Asking for any additional information as deemed fit on case-to-case basis to satisfy about the Genuineness and financial standing of the client.
- j. Definedge Securities also keeps close watch on DPE6 reports provided by CDSL to all the DP'S which includes any of the action taken by any of the regulator across financial Industry against the clients and ensures the disablement of trading of such Investors on an immediate basis on receipt of such files.



Ongoing Compliances:

- a. Review of KYC details of all the existing active clients in context of the PMLA 2002 requirements.
- b. Classification of clients into high, medium or low risk categories based on KYC details, trading activity etc.
- c. Obtaining of annual financial statements from all clients, particularly those in high risk categories.
- d. In the case of 'non-individuals' additional information about the directors, partners, dominant promoters and major shareholders is obtained. Also ensures the Balance Sheet from Corporate, PF, LLP, TRUST every financial year.

5. Client Identification & Verifications

At the time of opening an account or executing any transaction with it, the company will verify and maintain the record of identity and current address, or addresses including permanent address or addresses of the client, the nature of business of the client and his financial status as under:

1. If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our company will not open the new account.
2. The company will maintain records of all identification information for eight years after the account has been closed.
3. We have an application in place to determine whether our existing / potential customer is a politically exposed person (PEP) for that Definedge Securities may ask for additional information from clients or access to publicly available information etc.

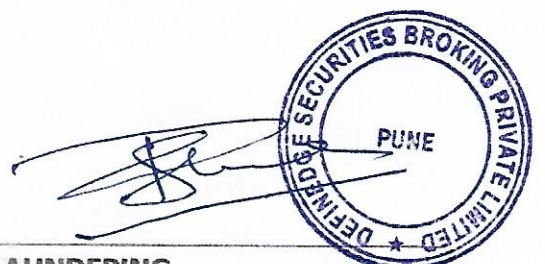
Definedge Securities ensure an approval from management for Such PEP clients before establishing business relationship. In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, the Definedge Securities will obtain senior management approval in such cases to continue the business relationship with such person and undertake enhanced monitoring.

6. Risk Profiling of customer

- Definedge Securities has adopted a risk-based approach in implementing its AML framework as spelt out in the AML Policy of the Broker. This approach includes assessment of various risks associated with different types of customer.

For the purpose customers are classified under three broad categories

1. High Risk customers
2. Medium Risk customers
3. Low Risk customers



At the time of on boarding of an account the Risk categorization will be assigned as per the income declared by the client. Periodically the client's turnover would be monitored and accordingly the risk profiling will be re-assigned.

- Classification of both the new and existing clients into high or medium category depending on parameters such as the customer's background, type of business relationship, transactions etc. Following procedures are adopted for all clients for Risk Categorization:
 - a. Unusual activity compared to past transactions
 - b. Off market transactions especially in illiquid stock
 - c. Sudden activity in dormant accounts.
 - d. Off Mkt value not in-line with Financial
 - e. Frequent off market specified period
 - f. High Value Off Market
- Further to above it is also necessary to cross verify the details of prospective customers with the databases of UN or other similar entity. Definedge Securities ensures continuous scanning of 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 should immediately be intimated to SEBI and FIU-IND.
- With regard to client with a dubious reputation, Definedge Securities will obtain the information from various other legitimate sources like
<https://www.sebi.gov.in>,
<https://www.sebi.gov.in/pmd/debarredco1.html>,
https://www.sebi.gov.in/cis_prosecutiondata.html,
<https://www.sebi.gov.in/cis/noncisdata.html>,
<https://www.watchoutinvestors.com/default2a.asp>,
<https://www.nseindia.com/regulations/member-sebi-debarred-entities>
<https://www.bseindia.com/investors/debent.aspx>
- UNSCRs) needs to be accessed in the United Nations website at
<https://www.un.org/sc/committees/1267/consolist.shtml> and
<https://www.un.org/sc/committees/1988/list.shtml>.

7. Identification of Beneficial Ownership

- At the time of opening an account or executing any transaction with it, Definedge Securities will verify sufficient information from their clients in order to identify and verify the identity of persons who beneficially own or control the securities account.
- The beneficial owner has been defined as the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted, and includes a person who exercises ultimate effective control over a legal person or arrangement.



Following are the steps taken for identifying beneficial owners of the client:

A. For Corporate

Check would be done for actual beneficial ownership and control of the particular account. We need to obtain the details with respect to Shareholders / promoters (Holding more than 10 % or more of share capital of Corporate entities) , Partners (Holding more than 15 % or more of capital or profits of partnership firm.),Unincorporated association or body of individuals(Holding more than 15 % or more of property or capital or profits of juridical person) from the non-individual clients and wherever possible it has to be verified independently. Where the client is a trust, identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership. Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority- owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

a. The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

Controlling ownership interest means ownership of/entitlement to:

- (I) more than 10% of shares or capital or profits of the juridical person, where the juridical person is a company;
- (II) More than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- (III) More than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

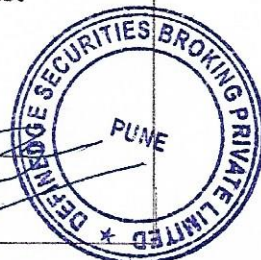
b. In cases where there exists doubt under clause 1 (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

c. Where no natural person is identified under clauses 1 (a) or 1 (b) above, the identity of the relevant natural person who holds the position of senior managing official.

B. For client which is a trust:

Where the client is a trust, we identify the beneficial owners, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 10% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.



C. Exemption in case of listed companies:

Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

8. Maintenance of records

We shall ensure that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, they shall retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed thereunder PMLA, other relevant legislations, Rules and Regulations or Exchange byelaws or circulars.

9. Record Keeping

Definedge Securities shall maintain and preserve the record of documents evidencing the identity of its clients and beneficial owners (e.g., copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of eight years after the business relationship between a client and Definedge Securities has ended or the account has been closed, whichever is later.

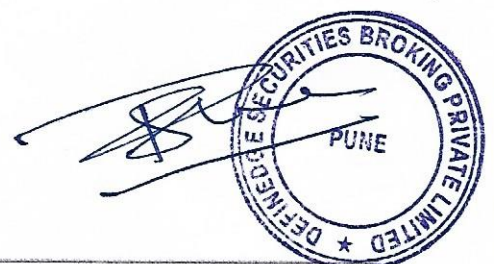
Definedge Securities shall maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, for a period of eight years from the date of the transaction between the client and Definedge Securities

10. Monitoring Accounts For Suspicious Activity

The company will monitor through the automated means of PMLA Software for unusual size, volume, pattern or type of transactions. For non-automated monitoring, the following kinds of activities are to be mentioned as Red Flags and reported to the Principal Officer.

- a. Sudden activity in dormant accounts.
- b. Off Mkt value not in-line with Financial
- c. Frequent off market specified period
- d. High Value Off Market

Reporting to FIU IND



For Suspicious Transactions Reporting

We will make a note of Suspicion Transaction that have not been explained to the satisfaction of the Principal Officer and thereafter report the same to the FIU IND and the required deadlines. This will typically be in cases where we know, suspect, or have reason to suspect:

We will not base our decision on whether to file a STR solely on whether the transaction falls above a set threshold. We will file a STR and notify law enforcement of all transactions that raise an identifiable suspicion of criminal, terrorist, or corrupt activities.

All STRs will be reported quarterly to the Management, with a clear reminder of the need to maintain the confidentiality of the STRs

We will not notify any person involved in the transaction that the transaction has been reported, except as permitted by the PMLA Act and Rules thereof.

11. AML Record Keeping

Definedge Securities shall maintain and preserve the record of documents evidencing the identity of its clients and beneficial owners (e.g., copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of eight years after the business relationship between a client and Definedge Securities has ended or the account has been closed, whichever is later.

Definedge Securities 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 eight years from the date of the transaction between the client and Definedge Securities

A) STR Maintenance and Confidentiality

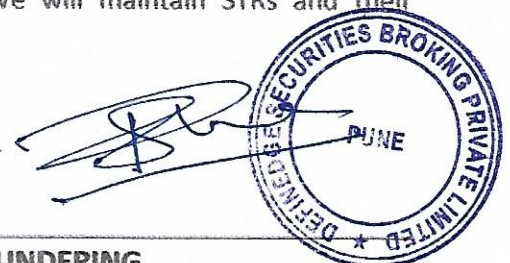
We will hold STRs and any supporting documentation confidential. We will not inform anyone outside of a law enforcement or regulatory agency or securities regulator about a STR. We will refuse any requests for STR information and immediately tell FIU IND of any such request we receive. We will segregate STR filings and copies of supporting documentation from other firm books and records to avoid disclosing STR filings. Our Principal Officer will handle all requests or other requests for STRs.

B) Responsibility for AML Records and STR Filing

Principal Officer will be responsible to ensure that AML records are maintained properly and that STRs are filed as required.

C) Records Required

As part of our AML program, our company will create and maintain STRs and relevant documentation on customer identity and verification. We will maintain STRs and their accompanying documentation for at least eight years.

12. Training Programs

We will develop ongoing employee training under the leadership of the Principal Officer. Our training will occur on at least on annual basis.

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

13. Management Approval

We have approved this AML program as reasonably designed to achieve and monitor our company ongoing compliance with the requirements of the PMLA and the implementing regulations under it.

Policy Review:

The policy shall be reviewed at least once in a year.

For Definedge Securities Securities Broking Private Limited



Name of Director: Mr. Prashant Shah

