ALLEGRO CAPITAL ADVISORS PVT LTD

PREVENTION OF MONEY LAUNDERING ACT

Anti Money Laundering Policy Framework and procedure Manual

Introduction:

- ❖ Money laundering refers to engagement in financial transactions with a view to conceal the identity, source and/or destination of the money. These types of activities are predominantly carried out for illegal purposes by underground operators. The definition of money laundering is expanded by government regulators to encompass any financial transaction which generates an asset or a value as the result of an illegal act, which may involve actions such as tax evasion or false accounting. As a result, the illegal activity of money laundering is now recognized as potentially practiced by individuals, small and large businesses, corrupt officials, members of organized crime (such as drug dealers or the Mafia) or of cults.

- ❖ SEBI, Stock Exchanges, Depositories have directed all intermediaries operating in the capital market segment to evolve a policy framework whereby such intermediaries are able to monitor and report all suspicious transactions routed through them.

Policy:

- ❖ Conduct of complete and through screening/evaluation before admission as client.

- ❖ Enhancing staff awareness and vigilance to look out for unusually large value or unusually large number of transactions from a single client or closed group of clients.

- ❖ Strengthening back office systems to generate periodic reports of large value transactions and multiple transactions from single client or closed group of clients.

- ❖ Evolve a periodic review of such reports by senior level management to evaluate the genuineness of such transactions.

- ❖ Ensure that policy is reviewed periodically to adapt to changes in environment.

- ❖ Ensure reporting to FIU-IND in case of STR's

Risk Profiling of Clients

- ❖ **Objective – Risk Based Categorization**

Allegro Capital Advisors Pvt Ltd (Allegro) recognizes that certain risk category may vary from client to client depending on the client's background, countries, geographical areas, payment methods used by clients, type of business relationship or transactions, etc. Allegro shall apply due diligence measures on a risk sensitive basis for evaluating clients and shall categorize each and every client based on the risk that they are likely to pose. The aim is to identify clients likely to pose a higher than normal operating, financial, geographical and compliance risk and ensure that company is able to adequately monitor and apply requisite due diligence processes for such high risk clients. The objective is to ensure proper monitoring, analyzing and reporting to the relevant authorities suspicious transactions.

- **Client Category:**

All clients would be classified into the three main categories:

- ✓ **Low Risk**
- ✓ **Medium Risk**
- ✓ **High Risk**

- **Low Risk:**

Clients who pose no risk or very low risk fall under this category. They are good corporate accounts, High Net-worth individuals, business families having a respectable social and financial standing. These are clients who would be expected to settle their trades on time and generally do delivery based business.

- **Medium Risk:**

These are clients who would fall under the middle segment in the risk-profiling who are neither very risky nor extremely safe. Clients who do intra-day or speculative trades, clients who have a running account with the company, clients who off set debits through sales and vice-versa (i.e.) not many cash settlements, etc.

- **High Risk:**

Clients with new businesses, clients who have defaulted in the past or who are very irregular in settlement of trades. Clients with possible suspicious background or unconvincing financial standing. Clients doing trades not commensurate with known sources of income/wealth. Clients from a country (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 and also with such countries which have been identified by FIUIND as High Risk.

Clients of Special Category: (CSC)

The following shall be classified as special category (illustrative list)

- ✓ Non-resident clients
- ✓ High Net-worth clients
- ✓ Trust, Charities, NGO
- ✓ Companies having close family shareholding or beneficial interest
- ✓ Politically Exposed Persons
- ✓ Companies offering foreign exchange offerings
- ✓ Clients in High Risk Countries where existence/effectiveness of money laundering controls is suspect and where there is unusual banking secrecy, countries active in narcotics production, countries where corruption is highly prevalent, countries against which government sanctions are applied, havens/sponsors of international terrorism, off-shore financial centres, tax havens, etc.
- ✓ Non-face to face clients
- ✓ Clients with dubious reputation as per public information, etc.

Customer Acceptance Policy

- **One to one Interaction:**

Allegro accepts clients only after a personal meeting by our executives / Officers / Directors of the company with the client. The client should either visit Allegro's Admin office/branch or concerned official may visit the client at his/her residence/office address to get the necessary documents filled-in and signed. As far as possible, ensure that the new client is introduced by an existing client or by a senior officer / Directors of the company. Also verify the client with updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions.

- **Accepts client on whom we are able to apply appropriate KYC procedures:**

Complete information about the client should be obtained. It should be ensured that the initial forms taken by the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. Ensure that the 'Know Your Client' guidelines are followed without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified

- **Do not accept clients with identity matching persons known to have criminal background:**

Check whether the client's identify matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory agency. In case there is any suspicion, the client can be accepted only after thoroughly verifying and satisfying ourselves that the prospect does not have any criminal background or has not been banned from operating in the capital markets.

- **Be careful while accepting Clients of Special category**:

Additional care should be taken while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed share holding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange, etc. or clients from high-risk countries or clients belonging to countries where corruption/fraud level is high. Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category

- **Do not accept client registration forms which are suspected to be fictitious**:

Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.

- **Do not compromise on submission of mandatory information/ documents**:

Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Do not open the accounts where the client refuses to provide information/documents.

- **Identification of Beneficiary ownership**

Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, the Allegro shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

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.

b)

Explanation: Controlling ownership interest means ownership of/entitlement to:

i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;

ii. ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or

iii. 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.

c) In cases where there exists doubt under clause 4 (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. Explanation: 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 4 (a) or 4 (b) above, the identity of the relevant natural person who holds the position of senior managing official.

Where the client is a trust, the intermediary shall 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.

Customer Identification Procedure

❖ **Objective:**

To have a mechanism in place to establish and identify the client along with acceptable proof of address to prevent opening of any account which is fictitious/suspicious/anonymous in nature.

❖ **Documents for Client Identification:**

The following documents can be relied upon for client identification procedure. All documents obtained have to be verified with the original, by an officer of the company, who shall sign on the copy confirming verification of the copy with the original. The verifying official shall also affix his name and date of verification in the documents accepted for proof of identity and proof of address, this client information will be reviewed periodically once in a year or whenever there is any changes in client details.

Identify Proof:

Any of the following documents, which carry a reasonably recent photograph of the client, can serve as the proof of identity. However if the photograph is very old and does not match with the current facial features of the client, some other identity proof wherein the facial features match with the client should be taken.

- ✓ *Permanent Account Number Card issued by Income Tax Department*
- ✓ *Passport*
- ✓ *Voter's Identity Card*
- ✓ *Ration Card*
- ✓ AADHAR Card

- ✓ Any other proof of identity which may be decided by the management from time to time and intimated to the client through the client registration form

Address Proof:
For valid address proof we can rely on the following documents which is in the name of the client

- ✓ *Voter's Identity card*
- ✓ *Passport*
- ✓ *Bank Statement*
- ✓ *Ration card*
- ✓ *Latest Utility Bill (Telephone/Electricity/LPG)*
- ✓ Any other proof of address which may be decided by the management from time to time and intimated to the client through the client registration form
- ✓ AADHAR Card

Financial Status & Income details:
For confirmation on Financial Status & Income Details client has to provide bank statement, Form-16 or Income Tax paid challans or a self declaration of his source of Income.

Documents to be obtained at the time of client registration

Individual Clients
Any one of the above listed documents for identity proof and address proof has to be obtained. As PAN & AADHAR card is mandatory for all clients, copy of the PAN card & AADHAR card should be obtained.

Corporate Clients
In case of corporate clients the following documents have to be obtained. The documents have to be certified as true by the authorized signatories.

- ✓ Copy of Incorporation/Registration Certificate
- ✓ Copy of Memorandum and Articles of Association
- ✓ Copy of PAN card
- ✓ Copy of the latest audited financial statements or copy of the latest income tax return filed or latest net-worth certificate certified by a practicing chartered accountant or practicing company secretary.
- ✓ Board Resolution for opening the account
- ✓ Board Resolution for appointment of authorized persons who will operate the account
- ✓ Proof of Identity and Proof of Address of the authorized persons

Partnership Clients
In case of corporate clients the following documents have to be obtained. The documents have to be certified as true by the authorized signatories.

- ✓ Copy of Registration certificate, if registered
- ✓ Copy of Partnership Deed
- ✓ Copy of PAN Card of Partners
- ✓ Authorization letter for the person authorized to open and operate the account
- ✓ Proof of identity and address of the authorized person

- ✓ Copy of Latest Audited Financial Statement or Latest Income Tax Return filed

Trust

- ✓ Copy of Registration Certificate, if registered
- ✓ Copy of Trust Deed
- ✓ Copy of PAN Card
- ✓ Proof of identity and address of the trustees
- ✓ Authorization letter for the person authorized to operate the account
- ✓ Proof of identity and address of the person authorized to operate the account (if other than the trustee).

Unincorporated Association or body of individuals

- ✓ Resolution of the managing body of such association or body of individuals.
- ✓ Copy of POA in favour of persons authorized to transact/operate on behalf of such association or body
- ✓ Copy of PAN card
- ✓ Proof of identity and address of the persons authorized to operate the account
- ✓ Any document to establish the legal entity or existence of such an association of persons or body of individuals

NRI – Repatriable/Non-repatriable

- ✓ Copy of PIS permission issued by bank
- ✓ Copy of Passport
- ✓ Copy of PAN card
- ✓ Proof of overseas address

Power of Attorney Operation

In case the account is operated through a POA, then a copy of the POA document and all relevant proof as mentioned above for the POA agent is also to be obtained.

Record Keeping

Allegro shall ensure compliance with the record keeping requirements contained in SEBI Act, 1992, Rules and Regulations, Circular CIR/ISD/AML/3/2010 dated December 31 & CIR/MIRSD/1/2014 dated March 12, 2014 made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

Allegro shall maintain & preserve all records as would be sufficient to identify, retrace and reconstruct clients and their transactions (including the amounts and types of currencies involved if any) for a period of Five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.

Allegro 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, for a period of five years from the date of the transaction between the client and the intermediary

To enable reconstruction, registered intermediaries shall retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:-

(a) The beneficial owner of the account;
(b) The volume of funds flowing through the account; and
(c) For selected transactions
    - ❖ Origin of the funds;
    - ❖ The form in which the funds are offered or withdrawn, e.g., cheque, bank drafts, cash
    - ❖ The identity of the person undertaking the transactions
    - ❖ The destination of the funds
    - ❖ The form of instruction and authority

Allegro 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 can 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 there-under PMLA, other relevant legislations, Rules and Regulations or Exchange Bye-laws or circulars.

Information on the following shall be maintained and preserved:

- ✓ The nature of transaction
- ✓ The amount of transaction and currency in which it is denominated
- ✓ The date of the transaction
- ✓ The parties to the transaction

Allegro strictly forbids any cash dealing, irrespective of value, with its customers

Reliance on third party for carrying out Client Due Diligence
Allegro does not outsource any activities and have not appointed any third party for carrying any type of client due diligence activities.

Procedure for freezing of funds, financial assets or economic resources or related services
Allegro shall act upon only orders issued by Central Government, or any other regulatory with respect to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities, or any such person engaged in or suspected to be engaged in terrorism.

Record Keeping
Allegro shall ensure proper maintenance & preservation of all records and information in a manner for a period of 5years that allows easy and quick retrieval of data as and when required.

Records shall be kept as required by different statutes, rules & regulations and bye-laws.

PMLA Policy:

- ❖ Conduct of complete and through screening/evaluation before admission as client.

- ❖ Enhancing staff awareness and vigilance to look out for unusually large value or unusually large number of transactions from a single client or closed group of clients.

- ❖ Strengthening back office systems to generate periodic reports of large value transactions and multiple transactions from single client or closed group of clients.

- Evolve a periodic review of such reports by senior level management to evaluate the genuineness of such transactions.

- Ensure that policy is reviewed once in a year or whenever necessary or on any amendments to the policy received from the regulatory, to adapt to changes in environment.

Procedure:

- Allegro adopts a very strict procedure before admission of clients. In this connection all prospects are thoroughly screened with regard to their identity, address of residence/business/employment, source of income, source of funds deployed by clients, financial status, Income Tax PAN etc., before admission.

- Carry out compulsory verification of all clients by a senior officer of the company.

- Ensure compliance with KYC in full before commencing operation for clients. Particular attention is paid to certain clients viz.:-
  - *Non-resident clients to be admitted only on recommendation of existing clients/staff members;*
  - *High Net-worth clients are admitted only after personal meeting by senior employees;*
  - *Collection of MOA,AOA, certificate of registration, board resolution, financial statements from corporate clients*
  - *Exercise caution over transactions of persons having direct or indirect political interests*

- All receipts and payments only through account payee crossed cheques. We accept demand drafts only in rare cases, only after proper enquiry by the concerned relationship officer.

- Transfer of shares from and to respective client's accounts only.

- We shall endeavor to strictly abide by the guidelines issued by SEBI, Stock Exchanges, depositories, other government agencies for monitoring and reporting suspicious transactions.

- Keep updated on all developments with regarding to Anti-money laundering in the form of enactments, guidelines, circulars, announcements, etc.,

Reporting:

- Concerned executives to be vigilant to identify abnormal transactions and report the same to the principal officer.

- Scrutiny of reports listing disproportionately large value/abnormal transactions by principal officer of the company.

- Conduct of necessary investigation, as deemed fit, into such large value/abnormal transactions to ensure that the transactions are bona-fide.

- Transactions considered suspicious shall be reported by the principal Officer to the Financial Intelligence Unit of India.

- Principal Officer to ensure confidentiality of transactions reported.

Guide to Suspicious Transactions:

- ✓ A transaction would be considered suspicious provided such transactions in the opinion of a person acting in good faith
  - ❖ gives a reasonable ground of suspicion that it may involve illegal money
  - ❖ appears to be made in circumstances of unusual or unjustified complexity
  - ❖ appears to have no economic rationale or bone-fide purpose.

Illustrative examples:

- ❖ Clients whose identity verification seems to be difficult or clients who are non-cooperative
- ❖ Source of funds is not clear or is not in proportionate to the clients known sources of income
- ❖ Clients with high risk jurisdiction
- ❖ Substantial increase in business without apparent cause
- ❖ Transfer of sale proceeds to apparently unrelated third parties
- ❖ Large scale trading in illiquid securities
- ❖ Suspicion of insider trading
- ❖ Suspicion of forging of documents

References:

- ❖ Prevention of Money Laundering Act, 2002
- ❖ Circulars issued by SEBI, Stock Exchanges, Central Depository Services Ltd.
- ❖ List of Designated Individuals/Entities

Allegro Capital Advisors Pvt Ltd accesses the website www.un.org to know the list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc. as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions. Allegro's executives shall ensure that accounts are opened only after verifying the said list and also a review of the existing accounts have been carried out for verification of the same.

❖ **Hiring of Employees**

Allegro has adequate screening procedures in place to ensure high standards when hiring employees. It identify the key positions within its structures having regard to the risk of money laundering and terrorist financing and the size of our business and proper measures took for ensuring the employees taking up such key positions are suitable and competent to perform their duties

❖ **Employees' Training**

Allegro shall conduct periodic education cum training programs to employees.

❖ **Investors Education**

Allegro shall send out regular PMLA investor awareness information to all clients as a part of investor education program.

POLICY ON ANTI MONEY LAUNDERING

ON STOCK BROKING

FOR CREATION OF CLIENT AWARENESS

Introduction to the Anti Money Laundering Program

Allegro Capital Advisors Pvt Ltd (Allegro) being an intermediary registered with Securities & Exchange Board of India as a Stock Broker is also governed by the provisions of Prevention of Money Laundering Act, 2002. In order to comply with the provisions of the PMLA, Allegro has undertaken a program of Anti Money Laundering.

We take this opportunity to create awareness to our clients regarding the objectives of Anti Money Laundering program undertaken by the company.

The Prevention of Money Laundering Act, 2002 came into effect from 1st July 2005. 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. Generally, money laundering occurs in three stages. Cash first enters the financial system at the "placement" stage, where the cash generated from criminal activities is converted into monetary instrument, such as money orders or deposited into accounts at financial institutions. At the "layering" stage, the funds are transferred or moved into other accounts or other financial institutions to further separate the money from its criminal origin. At the "integration" stage, the funds are reintroduced into the economy and used to purchase legitimate assets or to fund other criminal activities or legitimate businesses. Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal the origin or intended use of the funds, which will later be used for criminal purposes.

As per the provisions of the Act, besides other entities as defined therein, every intermediary (which includes a stock-broker & sub-broker and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992) shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Such transactions include:

- ✓ **All cash transactions of the value of more than Rs.10 Lakhs or its equivalent in foreign currency.**
- ✓ **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.**
- ✓ **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 by the Company.**

In order to fulfill the aforesaid requirements, **Allegro Capital Advisors Pvt Ltd** being a Stock Broker, Depository Participant & Portfolio Manager has put in place a system for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to the law enforcement authorities.

Further, as per the policy adopted in view of the PMLA guidelines, Allegro-

1. Does not accept/pay cash from/to clients.
2. Does not accept pay orders and demand drafts.
3. Accepts payments only in cheque and pay only by cheque.
4. Does not accept cheque from any bank account that is not designated in Client Registration form as a Know Your Client (KYC) requirement by client.
5. Does not accept cheque from an entity other than the client.
6. Makes payment only to the client and does not make payment to any third party on behalf of client or otherwise.
7. Keeps a check on whether the volume of trading done by client is in proportion to his financial details as disclosed in KYC.
8. May call for additional information or details or documents to satisfy the KYC requirement from time to time. Allegro may send Suspicious Transaction Report to the appropriate law enforcement authorities if required.

1. Background

1.1 Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, SEBI had issued the Guidelines on Anti Money Laundering Standards vide their notification No.ISD/CIR/RR/AML/1/06 dated 18th January 2006 and vide letter No.ISD/CIR/RR/AML/2/06 dated 20th March 2006 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI.

2. What is Money Laundering?

2.1 Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/origins.
2.2 This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

3. Prevention of Money Laundering Act, 2002

3.1. Prevention of Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July 1, 2005.
3.2. The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including stock brokers and sub-brokers) to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU) – INDIA

4. Financial Intelligence Unit (FIU) – INDIA

4.1. The Government of India set up Financial Intelligence Unit-India (FIU-IND) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

4.2. FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

5. Policy of Allegro Capital Advisors Pvt Ltd

5.1. Allegro Capital Advisors Pvt Ltd has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame-work to report cash and suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002

6. Implementation of this Policy

6.1. Mr.Kunal Kashyap will be the Principal Officer & Designated Director who will be responsible for Compliance of the provisions of the PMLA and AML Guidelines act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions Ensure that Allegro discharges its legal obligation to report suspicious transactions to the concerned authorities.

6.2. The main aspect of this policy is the Customer Due Diligence Process which means:
Obtaining sufficient information about to the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted.
Verify the customer's identity using reliable, independent source document, data or information.
Conduct on-going due diligence and scrutiny of the account/client to ensure that the transaction conducted are consistent with the client's background/financial status, its activities and risk profile**.**

6.3. The Customer Due Diligence Process includes three specific parameters:
Policy for Acceptance of Clients
Client Identification Procedure
Suspicious Transactions identification & reporting

7. Customer Acceptance Policy

7.1. Each client should be met in person: Accept client whom we are able to meet personally. Either the client should visit the office/branch or concerned official may visit the client at his residence / office address to get the necessary documents filled in and signed. Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client.

Accepts client on whom we are able to apply appropriate KYC procedures: Obtain complete information from the client. It should be ensured that the initial forms taken by the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. Ensure that the 'Know Your Client' guidelines are followed without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified

Do not accept clients with identity matching persons known to have criminal background: Check whether the client's identify matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory agency worldwide

Be careful while accepting Clients of Special category: We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed share holding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange, etc. or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc). Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category

Do not accept client registration forms which are suspected to be fictitious: Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.

Do not compromise on submission of mandatory information/ documents: Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.

7.2. Customer Identification Procedure (FOR NEW CLIENTS)
Objective: To have a mechanism in place to establish identity of the client along with firm proof of address to prevent opening of any account which is fictitious / benami / anonymous in nature.

7.2.1. Documents which can be relied upon:
PAN Card: PAN card is mandatory and is most reliable document as only one card is issued to an individual and we can independently check its genuineness through IT website.

IDENTITY Proof: PAN Card itself can serve as proof of identity. However, in case PAN card carries an old photograph of the holder, which does not match current facial features of the client, we should take other identity proof in form of Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card.

ADDRESS Proof: For valid address proof we can rely on Voter's Identity Card, Passport, Bank Statement, Ration card and latest Electricity/telephone bill in the name of the client.

7.2.2. Documents to be obtained as part of customer identification procedure for new clients:

a. In case of individuals, one copy of the following documents have to be obtained:
As PAN is mandatory, verify its genuineness with IT website and cross verify the PAN card copy with the original. [Please put "verified with original" stamp as proof of verification]
Other proofs for identity are Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card or any other document prescribed by the regulatory authorities.

Address proof in the form of Voter's Identity Card, Passport, Bank Statement, Ration card and latest Electricity/telephone bill in the name of the client or any other document prescribed by the regulatory authorities.

b. In case of corporates, one certified copy of the following documents must be obtained:

Copy of the Registration/Incorporation Certificate

Copy of the Memorandum & Articles of the Association

Copy of the PAN card and the Director Index No. (DIN)

Copy of the latest audited Annual Statements of the corporate client

Latest Net worth Certificate

Latest Income Tax return filed.

Board Resolution for appointment of the Authorized Person who will operate the account.

Proof of address and identity of Authorized Person

c. In case of partnership firm one certified copy of the following must be obtained:

Registration certificate

Partnership Deed

PAN card of partners

Authorization letter for the person authorized to open and operate the account

Proof of identity and address of the authorized person.

Annual statement/returns of the partnership firm

d. In case of a Trust, one certified copy of the following must be obtained:

Registration certificate

Trust Deed

PAN card

Authorization letter for the entity authorized to act on their behalf

Officially valid documents like PAN card, voters ID, passport, etc of person(s) authorized to transact on behalf of the Trust.

8. Risk Profiling of the Client

8.1. We should accept the clients based on the risk they are likely to pose.

The aim is to identify clients who are likely to pose a higher than average risk of money laundering or terrorist financing. For this purpose, we need to classify the clients as Low risk, medium risk and high risk clients. By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high risk client we have to apply higher degree of due diligence. The factors of risk perception depend on client's location, nature of business activity, turnover, nature of transaction, manner of payment etc.

8.2. In order to achieve this objective, all clients of the branch should be classified in the following category:

Category A – Low Risk

Category B – Medium Risk

Category C – High risk

8.2.1. Category A clients are those pose low or nil risk. They are good corporates/HNIs who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares.

8.2.2. Category B clients are those who are intra-day clients or speculative clients. These are the clients who maintain running account with Allegro.

8.2.3. Category C clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc.

8.3. We have to be careful while monitoring the transactions of B and C category clients.

8.4. Apart from this we need to exercise extra caution while monitoring the transactions of NRI/NRE/PIO and foreign clients, especially when the payment is being made in foreign currency.

8.5. Any change in the risk profile of the client/mandate holder, has to be ascertained by the concerned branch officials, and reported to the Business Head immediately.

9. Suspicious Transactions

All are requested to analyze and furnish details of suspicious transactions, whether or not made in cash. It should be ensured that there is no undue delay in analysis and arriving at a conclusion.

9.1. What is a Suspicious Transaction:
Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith –
Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
Appears to be made in circumstance of unusual or unjustified complexity; or
Appears to have no economic rationale or bona fide purpose

Reasons to be Suspicious:

- ✓ Identity of client
- ✓ False identification documents
- ✓ Identification documents which could not be verified within reasonable time
- ✓ Non-face to face client
- ✓ Clients in high-risk jurisdiction
- ✓ Doubt over the real beneficiary of the account Accounts opened with names very close to other established business entities Receipt back of well -come kit undelivered at the address given by the client
- ✓ Suspicious Background
- ✓ Suspicious background or links with criminals
- ✓ Multiple Accounts
- ✓ Large number of accounts having a common parameters such as common partners / directors / promoters / address/ email address / telephone numbers introducer or authorized signatory
- ✓ Unexplained transfers between such multiple accounts.
- ✓ Activity In Accounts
- ✓ Unusual activity compared to past transactions
- ✓ Use of different accounts by client alternatively
- ✓ Sudden activity in dormant accounts
- ✓ Activity inconsistent with what would be expected from declared business

- ✓ Account used for circular trading
- ✓ Nature Of Transactions
- ✓ Unusual or unjustified complexity
- ✓ No economic rationale or bonafied purpose
- ✓ Source of funds are doubtful
- ✓ Appears to be case of insider trading
- ✓ Purchases made on own account transferred to a third party through an off market transactions through DP account
- ✓ Transactions reflect likely market manipulations
- ✓ Suspicious off market transactions
- ✓ Value Of Transactions
- ✓ Value just under the reporting threshold amount in an apparent attempt to avoid reporting
- ✓ Large sums being transferred from overseas for making payments
- ✓ Inconsistent with the clients apparent financial standing
- ✓ Inconsistency in the payment pattern by client
- ✓ Block deal which is not at market price or prices appear to be artificially Inflated / deflated

9.2. What to Report

The nature of the transactions
The amount of the transaction and the currency in which it was denominated
The date on which the transaction was conducted: and
The parties to the transaction.
The reason of suspicion.

10. Designated Principal Officer / Designated Director

In case any further information /clarification is required in this regard, the 'Principal Officer' may be contacted.

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