

**Internal Policy for Compliance of provisions
as contained in Prevention of Money Laundering Act,
2002 (PMLA) and rules and regulations framed PMLA**

Initially Approved by Board on Dec 20, 2018)

A. Introduction of MODERN SHARES AND STOCKBROKERS LIMITED

MODERN SHARES AND STOCKBROKERS LIMITED is a member of National Stock Exchange and Bombay Stock Exchange having SEBI Regn No. INZ000235036.

This Anti-Money-Laundering (AML) policy has been prepared in accordance Prevention of Money Laundering Act, 2002 (PMLA Act) and and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (Maintenance of Records Rules), as amended from time to time and notified by the Government of India. This policy also takes into account SEBI Guidelines on Anti Money Laundering Standards issued vide notification No.ISD/CIR/RR/AML/1/06 dated 18th Jantiary 2006, vide Circular No.ISD/CIR/RR/AML/2/06 dated 20th March 2006 vide letter No. ISD/AML/CIR-1/2008 dated December 19, 2008,vide Circular No. ISD/AML/CIR-1/2009 dated September 01, 2009, Vide Circular No. ISD/AML/CIR-2/2009 date October 23,2009, vide Circular CIR/ISD/AML/3/2010 dated December 31, 2010, vide Circular No. ISD/AML/CIR-1/2010 dated February 2010, vide Circular number CIR/MIRSD/11/2014 dated March 12th, 2014, vide Circular SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated July 04th, 2018 and vide Circular No. SEBI/HO/MIRSD/DOP/CIR/P2019/113 dated October 15, 2019, SEBI/HO/MIRSO/MIRSD-SEC-5/P/CIR/2023/022 dated February 03,2023 & SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2023/091 dated June 16,2023, SEBI/HO/MIRSD/MIRSD-PoD-I/P/CIR/2024/II0August 09, 2024 and rules laid down by FIU.

B. Objectives for framing of this Policy Document:

- To provide for such procedures and internal control measures so as to deal with money laundering and terrorist financing activities in accordance with PMLA and rules and regulations framed there under as in force from time to time;
- To provide for maintenance of such records as are required under provisions of PMLA and/or rules and regulations framed there under
- To provide for submission of Cash Transaction Report (CTR) and Suspicious Transaction Report (STR), as and when required



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- To adopt customer acceptance policies and procedures which are sensitive to the risk of money laundering and terrorist financing; and
- To undertake customer due diligence ("COO") measures to an extent that is sensitive to the risk of money laundering and terrorist financing depending on the type of customer, business relationship or transaction;
- To create awareness about this policy among the staff members of the Company by ensuring that the contents of this policy framework are understood by all staff members;
- To review the policies and procedures at least once in a year and as and when required and to ensure their effectiveness by a person who is different from the person who has framed such policies and procedures.

C. *Introduction and Background of AML*

SEBI has issued necessary directives vide circulars from time to time, covering issues related to Know Your Client (KYC) norms, Anti-Money Laundering (AML), Client Due Diligence (COD) and Combating Financing of Terrorism (CFT). The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July 2005 by the Department of Revenue, Ministry of Finance, and Government of India.

Every reporting entity (which includes intermediaries registered under section 12 of the SEBI Act, i.e. a stock-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, asset management company, depository participant, merchant banker, portfolio manager, investment adviser and any other intermediary associated with the securities market and registered under Section 12 of the SEBI Act and stock exchanges), shall have to adhere to the client account opening procedures, maintenance records and reporting of such transactions as prescribed by the PMLA and rules notified there under.

The Maintenance of Records Rules mandates the reporting entities to evolve an internal mechanism having regard to any guidelines issued by the regulator for detecting the transactions specified in the Maintenance of Records Rules and for furnishing information thereof, in such form as may be directed by SEBI.

Further As per the provisions of the PMLA, all the registered intermediaries shall put in place a system of maintaining proper record of the nature and value of transactions which has been prescribed under Rule 3 of PML Rules. Such transactions include;

- ❖ All cash transactions of the value of more than Rs 10 lakh or its equivalent in foreign currency.
- ❖ All *series* of cash transactions integrally connected to each other which have



been valued below Rs. 10 lakh or its equivalent in foreign currency where such series of transactions take place within one calendar month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency.

❖ All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;

❖ 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 registered intermediary.

It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered.

In case there is a variance in CDD/AML standards prescribed by SEBI and the regulators of the host country, branches/overseas subsidiaries of intermediaries are required to adopt the more stringent requirements of the two.

D. Policies and procedures to combat Money Laundering and Terrorist Financing

A. Obligation to establish policies and procedures: -

- Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need for financial institutions, including securities market intermediaries, to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing. The PMLA is in line with these measures and mandates that all intermediaries ensure the fulfillment of the aforementioned obligations.
- To be in compliance with these obligations, the senior management of a registered intermediary shall be fully committed to establishing appropriate policies and procedures for the prevention of ML and TF and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. We shall: -
- issue a statement of policies and procedures, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements
- ensure that the content of these Directives is understood by all staff members
- regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures



- adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF
- undertake client due diligence ("COD") measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction
- have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- develop staff members' awareness and vigilance to guard against ML and TF.

B. Policies and procedures to combat ML shall cover: -

a. Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc. whether in branches, departments or subsidiaries;

b. Client acceptance policy and client due diligence measures, including requirements for proper identification;

c. Maintenance of records;

d. Compliance with relevant statutory and regulatory requirements;

e. Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and

f. Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff, of their responsibilities in this regard.

g. The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors.

The purpose of this document is to guide all the employees of MODERN SHARES AND STOCKBROKERS LIMITED and employees of its associates on the steps that they are required to take and implement to prevent and identify any money laundering or terrorist financing activities. It shall be the responsibility of each of the concerned employees that they should be able to satisfy themselves that the measures taken by them are adequate, appropriate and follow the spirit of these measures and the requirements as enshrined in the "Prevention of Money Laundering Act, 2002".

Some of these suggested measures may not be applicable to every circumstance or to each department, AP. However, each entity should consider carefully the specific



nature of its business, type of customer and transaction to satisfy itself that the measures taken by the employees are adequate and appropriate to follow the spirit of these guidelines.

C. IMPLEMENTATION OF THIS POLICY

CLIENT DUE DILIGENCE

The COD measures comprise the following:
The main aspect of this policy is the Customer Due Diligence Process which means:

- To obtain sufficient information in order to identify persons who beneficially own or control the 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 shall 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
- To verify the customer's identity using reliable, independent source document, data or information. Where the client purports to act on behalf of juridical person or individual or trust, the registered intermediary shall verify that any person purporting to act on behalf of such client is so authorized and verify the identity of that person.
- To identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted;

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

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.

Explanation: Controlling ownership interest means ownership of/entitlement to: more than 10% of shares or capital or profits of the juridical person, where the juridical person is a company;

- I. more than 10% of the capital or profits of the juridical person, where the juridical person is a partnership; or



- II. more than 10% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.
- III. In cases where there exists doubt under clause 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 would include exercised through voting rights, agreement, arrangements or in any other manner.

Where no natural person is identified under any of clauses above, the identity of the relevant natural person who holds the position of senior managing official.

For client which is a trust: Where the client is a trust, the Company 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 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.

- ❖ **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.
- ❖ Shall register the details of a client, in case of client being a non-profit organisation, on the DARPAN Portal of NITI Aayog, if not already registered, and shall maintain such registration records for a period of five years after the business relationship between a client and the registered intermediary has ended or the account has been closed, whichever is later.
- ❖ **Applicability for foreign investors:** Dealing with foreign investors' may be guided by SEBI Master Circular SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19,2022 and amendments thereto, if any, for the purpose of identification of beneficial ownership of the client
- ❖ To verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c).
- To verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c); and
- To understand the ownership and control structure of the client.
- To conduct ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account throughout the course of



the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds;

- To review the due diligence measures including verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship, as the case may be, when there are suspicions of money laundering or financing of the activities relating to terrorism or where there are doubts about the adequacy or veracity of previously obtained client identification data; and
- To periodically (Annually) update all documents, data or information of all clients and beneficial owners collected under the COD process.
- Where registered intermediary is suspicious that transactions relate to money laundering or terrorist financing, and reasonably believes that performing the COD process will tip-off the client, the registered intermediary shall not pursue the COD process, and shall instead file a STR with FIUIND."

D. Procedure for acceptance of a new customer

- ▶ The department responsible for registration of new clients for the Company shall be required to ensure due compliance of following procedure before providing trading client code to a new constituent:
 - ▶ That all of the clients duly complete the formalities relating to client registration as provided in KYC norms, as in force from time to time. The person in charge of client registration department must also keep track of additional requirements prescribed by regulators e.g. RBI & SEBI from time to time in this regard and ensure compliance thereof.
 - ▶ That sufficient documentary evidence is collected from the proposed constituent which establishes Identity and address of such constituent beyond any reasonable doubt.
 - ▶ That all the copies of supporting documents are matched with the originals.
 - ▶ That a copy of PAN is taken from each constituent, which has been verified with the original and cross checked with the data available on Income-tax Website. In case of any mismatch, the account must not be opened.
 - ▶ That the signature of constituent on Client Registration Form are matched with the signature given on the PAN Card or any other proof as may be submitted by the constituent and in case of any mismatch the account is opened only if the explanation for such mismatch is found to be reasonable on the basis of further



documents e.g. Banker's Signature Verification, as may be submitted by the constituent.

In a nutshell, the following safeguards are to be followed while accepting the clients:

- ▶ No account is opened in a fictitious/ benami name or on an anonymous basis.
- ▶ Factors of risk perception (in terms of monitoring suspicious transactions) of the client shall be defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.
- ▶ To undertake enhanced due diligence measures as applicable for Clients of Special Category (CSC)*. CSC shall include the following:
 - a) Non - resident clients;
 - b) High net-worth clients;
 - c) Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
 - d) Companies having close family shareholdings or beneficial ownership
 - e) "Politically Exposed Persons" (PEPs): PEP shall have the same meaning as given in clause (db) of sub-rule (1) of rule 2 of the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005. The additional norms applicable to PEP as contained in paragraph 14 of the Master Circular shall also be applied to the accounts of the family members or close relatives of PEPs.
 - f) Clients in high-risk countries. While dealing with clients from or situate in high risk countries or geographic areas or when providing delivery of services to clients through high risk countries or geographic areas i.e. places where existence or effectiveness of action against money laundering or terror financing is suspect, RE apart from being guided by the FATF statements that inter alia identify such countries or geographic areas that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org) from time to time, shall also independently access and consider other publicly available information along with any other information which they may have access to. However, this shall not preclude RE from entering into legitimate transactions with clients from or situate in such high-risk countries and geographic areas or delivery of services through such high-risk countries or geographic areas;
- ▶ Non face to face clients: Non face to face clients means clients who open accounts without visiting the branch/offices of the registered intermediaries or meeting the officials of the registered intermediaries. Video based customer identification process is treated as face-to-face onboarding of clients;
- ▶ Clients with dubious reputation as per public information available etc;
- ▶ Documentation requirements and other information to be collected in respect of different classes of clients shall depend on the perceived risk and having regard to the



requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.

▶ To ensure that an account is not opened where the company is unable to apply appropriate COD measures/ KYC policies. It shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to the intermediary is suspected to be non - genuine, or there is perceived non - cooperation of the client in providing full and complete information. In such a case, the company shall continue to do business with such a person and file a suspicious activity report. The company shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. A cautious step shall be taken to ensure that we do not return securities of money that may be from suspicious trades. The Company shall consult the relevant authorities in determining what action shall be taken when suspicious trading is suspected.

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

E. CLIENT IDENTIFICATION PROCEDURE:

The KYC policy shall clearly spell out the client identification procedure (CIP) to be carried out at different stages i.e. while establishing the intermediary - client relationship, while carrying out transactions for the client or when the intermediary has doubts regarding the veracity or the adequacy of previously obtained client identification data.

Following requirements shall form part of CIP:

▶ To place appropriate risk management systems to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of **PEPs**.

▶ To obtain senior management approval for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, we shall obtain senior management approval to continue the business relationship

▶ To take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.

▶ To obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.

▶ The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.



▶ Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority within the organization.

▶ To conduct ongoing due diligence where it notices inconsistencies in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued thereunder so that the intermediary is aware of the clients on whose behalf it is dealing.

F. RELIANCE ON THIRD PARTY FOR CARRYING OUT CDD

Modern Shares and Stockbrokers Limited does not rely on a third party for the purpose of identification and verification of the identity of a client.

G. RISK - BASED APPROACH:

a. It is generally recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, each of the client's due diligence measures on a risk sensitive basis shall be applied. The basic principle preserved in this approach is that an enhanced client due diligence process shall be adopted for higher risk categories of clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that shall be obtained necessarily would depend on the risk category of a particular client.

b. Further, low risk provisions shall not be applied when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk

H. RISK PROFILING:

RISK	PARTICULARS
High Risk	Clients which are likely to pose a high risk to MSSBL, may be categorized as high risk. -Clients who have defaulted in the past -Clients who have a suspicious background -HNIs whose identity and source of wealth are difficult to identify -Politically exposed persons -Clients of Special Category* -Dormant Account -NRI



Medium Risk	Clients which are likely to pose a medium risk to MSSBL may be categorized as medium risk. They can be the following: -Where the client profile of the person opening the account is doubtful or dubious. -Where the trading and settlement pattern of the client is suspicious -Intraday clients or speculative client.
Low Risk	Clients who pose low or nil risk. -They are corporate/HNIs who have a respectable social and financial standing. -Clients who fulfill obligations on time.

I. **RISK ASSESSMENT:**

► Risk assessment to be carried out to identify, assess and take effective measures to mitigate money laundering and terrorist financing risk with respect to clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc.

► The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The assessment shall be documented, updated regularly and made available to competent authorities and self-regulating bodies, as and when required.

► To identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and existing products. To ensure:

❖ To undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and

❖ Adoption of a risk-based approach to manage and mitigate the risks.

• 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. These shall be accessed by the company at the URL.

o http://www.un.org/sc/committees/1267/ag_sanctions_list.shtml

o <http://www.un.org/sc/committees/1988/list.shtml>

• The organization shall leverage latest technological innovations and tools for effective implementation of name screening to meet the sanctions requirements.

• The organization shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and existing products. The organization shall ensure:

o a. To undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and

o b. Adoption of a risk-based approach to manage and mitigate the risks



J. RECORD KEEPING REQUIREMENTS & RETENTION OF RECORDS

Records pertaining to transactions of clients shall be maintained and preserved for a period of eight years from the date of the transaction. Record of documents evidencing the identity of the 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 shall be maintained and preserved for a period of Eight years even after the business relationship with the client has ended or the account has been closed, whichever is later. Records shall be maintained as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behavior or if there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, the following information of the client shall be maintained in order to maintain a satisfactory audit trail:

- a. the beneficial owner of the account;
- b. the volume of the funds flowing through the account; and
- c. for selected transactions:
 - i. the origin of the funds
 - ii. the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
 - iii. the identity of the person undertaking the transaction;
 - iv. the destination of the funds;
 - v. the form of instruction and authority.

System is been maintained to record all such transaction as prescribed under rule 3 of the PML Rules as follows:

- a. all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency
- b. all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency;
- c. all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
- d. all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules

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, shall be maintained and preserved for a period of five years from the date of the transaction with the client.

In the case of transactions where any investigations by any authority have been commenced and in the case of transactions which have been the subject of



suspicious transactions reporting all the records shall be maintained till the authority in forms of closure of the case.

K. INFORMATION TO BE MAINTAINED:

Following information in respect of transactions referred to in Rule 3 of PML Rules shall be maintained:

- a. the nature of the transactions;
- b. the amount of the transaction and the currency in which it is denominated;
- c. the date on which the transaction was conducted; and
- d. the parties to the transaction.

L. MONITORING OF TRANSACTIONS:

Special attention shall be paid to all complex unusually large transactions / patterns which appear to have no economic purpose. Internal threshold limits for each class of client accounts shall be defined and special attention shall be paid to transactions which exceeds these limits.

The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/Stock exchanges/FIUIND/ other relevant Authorities, during audit, inspection or as and when required. These records shall be preserved for a period of five years from the date of transaction with such client.

Record of the transactions in terms of Section 12 of the PMLA shall be preserved and those transactions of a suspicious nature or any other transactions notified under Section 12 of the Act shall be reported to the Director, FIU-IND. Suspicious transactions shall be regularly reported to the Senior Management.

M. SUSPICIOUS TRANSACTION MONITORING AND REPORTING:

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.

What is a Suspicious Transaction?

- Clients whose identity verification seems difficult or clients appear not to cooperate
- Substantial increase in activity without any apparent cause.
- Large number of accounts having common parameters such as common partners /directors/ promoters /address/ email address/ telephone numbers/ introducers or authorized signatories;
- Transactions with no apparent economic or business rationale
- Sudden activity in dormant accounts;
- Source of funds are doubtful or inconsistency in payment pattern;
- Unusual and large cash deposits made by an individual or business;
- Transfer of investment proceeds to apparently unrelated third parties;
- Multiple transactions of value just below the threshold limit of Rs.10 Lacs specified in PMLA so as to avoid possible reporting;



- Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- Purchases made on own account transferred to a third party through off market transactions through DP Accounts;
- Suspicious off market transactions;
- Large deals at prices away from the market.
- Accounts used as 'pass through'. Where no transfer of ownership of securities or trading is occurring in the account and the account is being used only for funds transfers/layering purposes.
 - All transactions involving receipts by non-profit organizations of value more than rupees ten lakhs, or its equivalent in foreign currency;
 - Clients of high-risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'Clients of Special Category'. Such clients should also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhance relevant reporting mechanisms or systematic reporting of financial transactions, and apply enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.

Irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, file STR if we have reasonable grounds to believe that the transactions involve proceeds of crime."

What to Report?

- Any suspicious transaction shall be immediately notified to the Money Laundering Control Officer, Compliance Officer, Principal Officer or any other designated officer.
 - The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion.
 - The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion.
 - In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken.
 - The Principal Officer/Money Laundering Control Officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and COD information, transaction records and other relevant information
 - It is likely that in some cases transactions are abandoned or aborted by clients on being asked to give some details or to provide documents.
 - It is clarified that intermediaries should report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

N. LIST OF DESIGNATED INDIVIDUALS OR ENTITIES

An updated 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 (UNSCRs) can be accessed at its website at



- <https://press.un.org/en/content/press-release>
- <http://www.un.org/sc/committees/1267/consolist.shtml>.
- www.un.org/securitycouncil/sanctions/1718/press-releases.

Precaution shall be taken to ensure that no account is opened whose name shall be appearing in such list.

Periodic review of the existing account shall be conducted to ensure that no existing account are linked to any of the entity or individual included in the list.

Any resemblance found shall be reported to SEBI and FIU-IND.

0. PROCEDURE FOR FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES:

❖ 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.

❖ Under the aforementioned Section, the Central Government is empowered 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 listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism.

❖ To ensure that no accounts are opened in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC).

❖ In order to ensure expeditious and effective implementation of the provisions of Section 51A of UAPA, Government of India has outlined a procedure through an order dated February 02, 2021 (Annexure 1) for strict compliance. These guidelines have been further amended vide a Gazette Notification dated June 08, 2021

P. Implementation of requests received from foreign countries under U.N. Securities Council Resolution 1373 of 2001

i. U.N. Security Council Resolution 1373 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly, by such persons and associated persons and entities.



ii. To give effect to the requests of foreign countries under U.N. Security Council Resolution 1373, the Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the UAPA nodal officer for IS-I Division for freezing of funds or other assets.

111. The UAPA nodal officer of IS-I Division of MHA, shall cause the request to be examined, within five working days so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be electronically forwarded to the nodal officer in SEBI. The proposed designee, as mentioned above would be treated as designated individuals/entities.

iv. Upon receipt of the requests from the UAPA nodal officer of IS-I Division, the procedure 1:1s enumerated at paragraphs 15.3 above shall be followed.

Q. REPORTING TO FIU:

In terms of the PMLA rules, brokers and sub-brokers are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) 6th Floor, Hotel Samarat, Chanakyapuri, New Delhi - 110021 as per the schedule given below:

Report	Description	Due Date
CTR	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 have taken place within a month	15th day of the succeeding Month
STR	All suspicious transactions whether or not being made in cash.	Not later than seven days on satisfied that the transaction is suspicious
NTR	Non-Profit Organization Transaction Report	15th day of the succeeding Month

The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND. Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND. No nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious/ non - profit organization transactions to be reported. •



Irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in the PMLA, 2002, an STR shall be filed, if there is reasonable grounds to believe that the transactions involve proceeds of crime.

R. PRINCIPAL OFFICER

The company has designated the Principal Officer who shall be responsible for implementation and compliance of this policy shall include the following:

- Compliance of the provisions of the PMLA and AML Guidelines
- Monitoring the implementation of Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) Policy
- Reporting of Transactions and sharing of information as required under the law
- Ensuring submission of periodical reports to Top Management. The report shall mention if any suspicious transactions are being looked into by the respective business groups and if any reporting is to be made to the authorities.
- Ensure that **Modern Shares and Stockbrokers Limited** discharges its legal obligation to report suspicious transactions to the concerned authorities.

S. DESIGNATED DIRECTOR

"Designated Director" means a person designated by the Board of Directors to ensure over all compliance with the obligations imposed under The Prevention of Money Laundering Act, 2002 and the Rules framed there under, as amended from time to time, and include the Managing Director or a Whole-time Director duly authorized by the Board of Directors. The Company shall appoint a Designated Director and communicate the details of the Designated Director, such as, name, designation and address to the Office of the Director, FIU-IND and update the same whenever there is any change.

T. DETAILS OF DESIGNATED DIRECTOR & PRINCIPAL OFFICER

Name	Mr. Anil Manghnani	Mr. Anil Manghnani
Designation	Designated Director	Principal Officer
Office Address	Staircase No 13, Wankhede Stadium, D Road Churchgate, Mumbai 400020	Staircase No 13, Wankhede Stadium, D Road Churchgate, Mumbai 400020
Telephone Number	022-68252412	022-68252412
Mobile Number	9819716136	9819716136
Email ID	modernshare@hotmail.com	modernshare@hotmail.com

U. SYSTEM AND PROCEDURE FOR HIRING OF EMPLOYEES

- i. The Department Heads shall be involved in hiring of new employees, shall adequately carry out the screening procedure in place to ensure high standards in hiring new employees.



- ii. Bona tides of employees are checked to ensure that the employees do not have any link with terrorist or other anti-social organizations.
- 111. Reference of candidate: - Candidate having reference would be called for the interview. In case of employee having applied through newspaper would be called for the interview after scrutinizing his/her bio-data.
- iv. Background of the candidate: - Background of the employee should be clean & under no circumstances candidate who has left earlier employer due to dispute should be selected.
- v. Third party verification of candidate: - If necessary third-party verification should be done by making phone call.
- vi. Experience: - Candidate should have to appear for the skilled test depending on the exposure.
- vii. Candidate should be aware for PMLA 2002 guidelines. Proper training should be given if he/she is not aware.

V. EMPLOYEES TRAINING:

- Importance of PMLA Act & its requirement to employees through training.
- Ensuring that all the operating and management staff fully understands their responsibilities under PMLA for strict adherence to customer due diligence requirements from establishment of new accounts to transaction monitoring and reporting suspicious transactions to the FIU.
- Organizing suitable training programmes wherever required for new staff. front- line staff, supervisory staff, etc.
- Briefings to new employees at induction programs and rounds of small meetings and presentations at branch locations.
- Adequate training should be given to all the concerned employees to (a) ensure that the contents of the guidelines are understood and (b) develop awareness and vigilance to guard against money laundering and terrorist financing.
- As of now, AML policy will be covered during the induction training given to all new recruits and also during the on-going compliance sessions.

W. INVESTORS EDUCATION

As the implementation of AML/CFT measures being sensitive subject and requires us to demand and collect certain information from investors which may be of personal in nature or has hitherto never been called for. which information include documents evidencing source of funds/income tax returns/bank records etc. and can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information. There is, therefore, a need for us to sensitize the clients about these requirements, as the ones emanating from AML and CFT framework. We shall circulate the PMLA Circulars and other specific literature/pamphlets etc. so as to educate the client of the objectives of the AML/CFT program. The same shall also be emphasized on, in the investor Awareness Programs conducted by us at frequent intervals of time. The importance of the same is also made known to them at the time of opening the Account.

X. Implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prevention of Unlawful Activities) Act

On the basis of the order issued by the Government of India, Ministry of Finance vide F No. P-12011/1 4/2022-ES Cell DOR ("the Order") detailing the procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act 2005 ("WMD Act"), Modern Shares And Stockbrokers Ltd. Shall

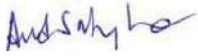
- i. Maintain the list of individuals/entities ("Designated List") and update it, without delay, in terms of paragraph 2.1 of the Order;
- ii. verify if the particulars of the entities/individual, party to the financial transactions, match with the particulars of the Designated List and in case of match, Modern Shares And Stockbrokers Ltd. shall not carry out such transaction and shall immediately inform the transaction details with full particulars of the



- funds, financial assets or economic resources involved to the Central Nodal Officer ("CNO") at FIU India, without delay
- iii. run a check, on the given parameters, at the time of establishing a relation with a client and on a periodic basis to verify whether individuals and entities in the Designated List are holding any funds, financial assets or economic resources or related services, in the form of bank accounts, stocks, insurance policies etc. and in case of any such findings Modern Shares And Stockbrokers Ltd. Shall immediately report to the CNO at FIU India
 - iv. in case of any such reporting to CNO at FIU India, Modern Shares And Stockbrokers Ltd. shall simultaneously send a copy of the communication, mentioned in paragraphs 59(ii) and 59(iii) above, without delay, to the Nodal Officer of SEBI through email.
 - v. Modern Shares And Stockbrokers Ltd. shall if believe beyond doubt that funds and assets held by a client would fall under the purview of Section 12(A) (2)(a) or Section 12(A) (2) (b) of the WMD Act, then Modern Shares And Stockbrokers Ltd. shall file a Suspicious Transaction Reporting (STR) with FIU India covering all transactions in the said account
 - vi. while running all the aforementioned checks and respective reporting, Modern Shares And Stockbrokers Ltd. shall comply with the provisions regarding exemptions from the above orders of the CNO and inadvertent freezing of accounts as may be applicable

This PMLA policy will be reviewed every year on the basis of circulars issued by statutory authority from time to time and this updated policy should be approved in the meeting of Board of Directors.

For Modern Shares and Stockbrokers Limited



Anil Manghnani
Whole Time Director
DIN No 00012806

