

## **Mandatory Document dealing with Policy and Procedures**

### **1. Refusal to Take Orders**

The Client undertakes and agrees that member, may, as a risk containment measure, at any time, at its sole discretion, and without prior notice, prohibits, restricts or refuse the clients' ability to place order or trade in penny stocks or such other illiquid stocks/contracts, as specified by Member, through the Member. The Client waives any and all claims for loss or damage arising directly or indirectly from any such refusal.

### **2. Exposure Limits**

The client agrees and confirms to abide by the exposure limits, if any, set by Member or by the exchange or Clearing Corporation or SEBI from time to time.

The Stock Broker/ Trading Member may from time to time, at its sole discretion, impose and vary limits on the orders that the client place (including but not limited to exposure limits, turnover limits, limits as to number, value and / or kind of securities / contracts in respect of which buy or sell orders can be placed etc.) The client is aware and agree that the stock broker/ trading Member may need to vary or reduce the limits or impose new limits urgently on the basis of Member's risk perception and other factors considered relevant by Member and Stock Broker/ Trading Member may be unable to inform to the client of such variation, reduction, imposition in advance. The client agrees that the Stock Broker/ Trading Member shall not be responsible for such variation, reduction and imposition of limits.

### **3. Brokerage Rate**

The Client confirms and agrees that the brokerage shall be paid in the manner intimated by the Member to the client from time to time, including as a percentage of the value of the trade or as a flat fees or otherwise, together with the service tax as may be applicable from time to time on the same.

The Client hereby agrees to the following brokerage slabs/rates which do not exceed the maximum limits prescribed by the SEBI and stock exchanges.

### **4. Delayed Payment Charges**

The client understands and agrees that applicability of delayed payment charge by either party is solely at the discretion of the Stock Broker.

Without prejudice to margin funding guidelines issued by SEBI, any amounts which are overdue from a client toward settlement obligation or margin obligation either in cash segment and/or derivative segment, may attract delayed payment charges at the rate of 1.5 % per month or part thereof or such other rate as may be determined by the stock broker.

In case client has not opted for running account maintenance, any amount which are overdue from a stock broker towards settlement pay out after meeting all pending settlement / margin obligations or dues, may attract delayed payment charges at the rate of 1.5 % per month or part thereof or such other rate as may be determined by the stock broker.

In case client has opted for running account maintenance, any amount which the client has demanded, in writing, from a member out of the available undisputed credit balance in client ledger maintained by the member or such amount which is required to be settled on the monthly / quarterly basis after meeting settlement and/or margin obligation and making provision for next 5 trading day settlement and / or margin obligation, calculated in the manner specified by the exchanges may attract delayed payment charges at the rate of 1.5 % per month or part thereof or such other rate as may be determined by the stock broker.

#### **5. Liquidation/close-out of positions:**

Without prejudice to the member's other rights (including the right to refer a matter to arbitration), the Member shall be entitled to liquidate / close out all or any of the Client's positions for non-payment of margins or settlement obligation without giving prior notice. Any and all losses and financial charges on account of such liquidation / closing-out shall be charged to and borne by the Client.

#### **6. Internal Shortage**

In case of purchase of securities by the Client, at times Member may be unable to deliver the securities to the said purchaser on the pay out day due to non receipt of the said securities from another Client of Member who has sold the securities against the said purchase transaction. In such cases, member may buy the shares from the market on T + 3 day and deliver the same to the client or he may give close out at the rate as determined by the member.

#### **7 Close out in case of internal Shortages:**

The Client hereby agrees that if he/she/it has short delivered any securities against his/her/its pay-in- obligation which resulted into internal shortage (i.e. buy position of another client of Member and could not be auctioned in the market), close out shall be debited to his account at the rate which is in the range of 2% to 20% above the purchase price or the closing price on auction day or such other percentage as may be determined by the Member.

#### **8. Restrictions/Prohibition to take further position or closing existing position**

The Member may, in its sole discretion, not allow taking further position to the client or may close the existing position of a client due to any restrictions in relation to volume of trading / outstanding business or margins stipulated by the exchange, clearing corporation/ clearing house and/or the Member and / or any other extraordinary event warranting such restrictions. The Client waives any and all claims for loss or damage arising directly or indirectly from any such restrictions.

#### **9 Suspension / Closure at the client's request**

The Client may suspend or close his/her/its trading account temporarily by giving written request to the member. Such temporary closing or suspending of trading account will not affect the rights and obligation incurred prior to such suspension or closure. Any request for temporary suspension or closure shall not be processed by the member unless all the dues are paid by the client.

## 10. Deregistering the Client

The Member may, at its sole discretion, deregister clients' account to protect his interest which might include (but not limited to)

- i. Member is compelled to by law;
- ii. Client has not used account for a significant period of time;
- iii. Member has reasons to believe that account is being used for fraudulent purposes.
- iv. Any other reason which member thinks reasonable for deregistering the account.

The Client waives any and all claims for loss or damages arising directly or indirectly from such deregistering. The deregistering will not affect any liability of the Client resulting directly or indirectly from any transactions made at any time before such deregistering.

In case client has not used his account for a period exceeding 6 months but not later than 2 years, then his account shall be free zed for further trades and the said account shall be re-activated only after client gives account reactivation request along with proofs, if any, required. Further if client has not used his account for more than 2 years, his account shall be deregistered and his account shall be re-activated only after proper recording of reason for non use and after taking all the required proof.

Further, if any changes are made in the above policy and procedures, the same are updated on our website [www.investmentoronline.com](http://www.investmentoronline.com). Hence, Clients are requested to visit the same for further changes.

Client Signature: \_\_\_\_\_

**POLICY ON**  
**INTERNAL CONTROL & RISK MANAGEMENT**

This is a policy document for guiding the operations of the organization. This Document is for internal use and not for circulation.

**REGISTERING A CLIENT**

It is very important to take adequate details from the clients to maintain a record of the details of the clients. Company registers client by obtaining the Client Registration Form which is foremost requirement of exchange. In this form the basic details of the clients are obtained

i.e. Name of client: Which is used to identify the client.

Residential Address is taken with the address proofs which are the documents specified by exchange i.e. Ration Card, Pass Port, Voters ID or Driving License.

Also taking photo identity proof of Pass Port, Voter Ids, and Driving License Copy.

Photograph of client in case of Individual.

For Corporate client Board Resolution, Memorandum of association & article of association of company, Share holding pattern,

Details of Authorised Persons and Directors.

Pan card of all Clients.

Introducer details and

Exchange /Segment Selection.

Financial Information in case of Derivative Segment is activated.

All these documents form part of KYC Norms, which is, will be taken from all the clients.

Bank Details of the client along with the proof of the same i.e. Xerox of the bank pass book Or Cancel Cheque with sign the bank so that company can keep track of the third party payment i.e. amount paid through other persons account.

DP accounts a detail which is to giving & taking delivery of securities. Proof of the DP Account holder name will be taken. This is also for not third party delivery of the security i.e. security of client given to other persons or taking delivery of other persons.

Client broker agreement is executed at the time of client registration. It is as per the format prescribed by the exchange. This will cover all the responsibilities, Rights & Liabilities of client & member. Trading in securities market involves risks of various nature. Clients need to be educated and informed about the risks involved and the company as a policy will issue the RDD to all its clients and obtain a signature on the copy.

### **CLIENT REGISTRATION FOR BRANCH LEVEL & SUB LEVEL CLIENTS**

The branches and sub brokers given duly stamped empty client agreement forms similarly at head office stamped empty KYC forms are kept ready. as and when the client approaches for account opening the due diligence of the client is carried out by the executive director at head office and by the branch head or by the sub brokers at their offices.

The required copies of documents like PAN Number, address proof and bank details DP details etc. are collected and verified with original and originals are returned back to the respective clients. PAN numbers is verified to Income Tax web site. The action taken report data is checked before activating the client. Further in person verification is carried out by concern officials mentioned above.

Then only the client is activated in UCC and concern client is informed about the Client ID and make to understand the risk in dealing in the capital market.

Any updations in address, bank details , DP details etc. the dealing officials collect the proof and verifies with originals and update in back office and this papers are kept with respective KYCs .

All KYCs are stored client code wise Branch wise and easily accessible.

## **USE OF BANK AND DEMAT ACCOUNTS AND THIRD PARTY CONTROL:**

Client Bank Account will be used only for the purpose of receiving and paying funds from the clients. For the payments of expenses the business account will be used. Fund Transfers between all the bank accounts will be allowed as per requirements.

The cheques from the clients will only be accepted from the accounts for which the client has submitted the proof to the company. In case of any receipt from the accounts for which the proof is not available the same will be demanded from the clients. Third party cheques will only be accepted from the parties related to the clients after taking due authorisation from both the client and the person making payment.

Payments for the payouts will only be made to the clients and not to any third party.

The company will maintain client's securities in a designated account called the Client Beneficiary Account. The securities of the company will be kept in a separate demat account termed as Own Beneficiary Account. The clients and own securities will not be mixed with each other.

The shares from the clients will only be accepted from the accounts for which the client has submitted the demat proof to the company. In case of any receipt from the accounts for which the proof is not available the same will be demanded from the clients. Third party delivery will only be accepted from the parties related to the clients after taking due authorisation from both the client and the person making payment.

Delivery for the payouts will only be made to the clients and not to any third party.

## **ISSUANCE OF CONTRACT NOTES:**

The contract notes are printed in duplicate and the acknowledgement is obtained on the second copies and filled date wise at head office. Similarly both the copies of the contract notes are send to dealing offices along with their address printed on contract notes send to respective dealing offices and they also maintain the copies there of and send back to us with due acknowledgement from the client.

We send quarterly the statements of fund and securities to the clients and acknowledgement is obtained as it will help avoid discrepancies in future.

We send on daily basis the outstanding positions along with M To M, margin paid and short fall in margin (if any) to each client. The margin shortfall is monitored by the executive director on daily basis

**EXPOSURE:**

The company will allow exposure to the clients keeping in mind the payment capacity of the client. As all the clients are known to the dealers the dealers will decide whether to allow the exposure and if allowed then to what extent.

**MARGIN AND PAY IN OBLIGATION:**

The executive director continuously monitors for ensuring each and every clients makes the PAY IN in time. In case of delay from clients side in PAY IN appropriate action is taken by the executive directors. The trading limits are reduced or zero in till such time the full PAY IN is received. Similarly the branch limits are also reduced or closed. Normally we face the issues of timely PAY IN by the clients when market is falling, in such event th e executive director calls of each and every client to either square up their position or make the PAY IN on next day morning. In the event of any doubt the positions are squared up if the market is continuously falling and most of the time our clients have buy positions.

In case of Capital Market segment the margin will normally not be levied under normal circumstances but the company may collect the Margins depending on the Market Scenario and Client Profile.

In case of F&O the Company will collect the SPAN margin from the clients and if need be the company may collect additional margins for the safety depending on the Market Scenario and Client Profile.

The executive directors continuously monitors debit balances from the clients and the follow up is done at client level as well as at branch level and every day the statement of outstanding is send to each dealing offices . The old debit balances over 15 days are watched and trading limits are closed. In the event net debit over 90 days are treated as bad and appropriate action is taken for recovery there of.

We are having following departments and they are having following functionality.

**DEALING DESK:**

The dealers will execute the clients trades as per the instructions of the clients promptly on the trading terminal. Abundant caution shall be exercised by the dealer while entering the trades on behalf of the clients into the trading system. There shall be a Chinese Wall with regards to dealing operations. The staff of the dealing room shall not have access to the Back Office of the company.

**BILLING & SETTLEMENT:**

The Back office department shall carry out the functions of the settlement. The major responsibility will include:

- Client Master creation and Upload thereof to the Exchanges
- Downloading files from the Exchanges and Clearing Corporation
- Processing of Trades
- Reconciliation of Obligations
- Generation of Aging Analysis of Clients for Dr Balances
- Issuance of Contract Notes and other relevant documents on a daily basis
- Bank and demat entries and reconciliation thereof

The Back Office staff shall not be allowed in the dealing room except when the situation demands the entry in the dealing room for execution of their duties.

**MID OFFICE AND COMPLIANCE:**

It shall be the responsibility of this department to ensure that the functioning of the Company is in Compliance with regulatory requirements. It shall ensure timely action with regards to payment of statutory dues and filing of returns thereof. It shall also be responsible for ensuring the timely issuance of the documents like



statement of Accounts for Funds and Securities to the Clients. All the stationeries indented for the company shall be screened by this department before placement of the order for printing.

**SYSTEM ADMIN:**

This shall cater to the IT needs of the Users of the Organization in all departments. They shall act as trouble shooters and shall be allowed to interact and use the systems of all the departments for executing their duties.

**Investors Grievance redresses Mechanism**

Any complain is received on phone or orally the first thing we ask them to give in writing. Further we have also designated email id [grievances@investmentonline.com](mailto:grievances@investmentonline.com) where our clients can email us the compliant. The compliant so received through email are then entered in to the complain register and put up before the compliance officer to be dealt with within 15 days of its receipt. The Compliance officer takes necessary actions based on the documentary evidence available with him and information provided by the client. Further if required, client is also called for grievance redressal. However the complain with clear malafied intensions are appropriately dealt with. Further if client is not satisfied with the grievance redressal, he may be asked to file arbitration with the exchange within the time frame prescribed by the exchange.

**Investmentor Securities Limited**

**ANTI MONEY LAUNDERING POLICY**

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## **Objectives**

In response to the international community's growing concern about the problem of money laundering and potential terrorist financing, many countries around the world are enacting or strengthening their laws and regulations regarding this subject.

Anti Money Laundering Act, 2002 was passed by Indian Parliament in the year 2002 and the Act became effective from 1st July, 2005.

The Act specifies statutory duties for Banking companies, Financial Institutions and Intermediaries. The compliance with these duties is intended to supplement the law enforcement authorities activities, to detect proceeds derived from serious crimes and help to effectively prevent money laundering, terrorist financing, and recycling of illegally obtained money.

The purpose of this policy is to establish the general framework for the fight against money laundering, terrorism, financial crimes and corruption.

**INVESTMENTOR SECURITIES LIMITED** is committed to examining its Anti - Money Laundering strategies, goals and objectives on an ongoing basis and maintaining an effective Anti - Money Laundering program for its business that reflects the best practices for a diversified, retail financial services firm.

## **Background of the Anti Money Laundering Act, 2002 (AMLA)**

### **Global Framework:**

In response to mounting concern over money laundering world wide the G-7 Summit held in Paris in 1989 established a policy making body, having secretariat at Organisation for Economic Co-operation and Development (OECD), which works to generate the necessary political will to bring about national legislative and regulatory reforms to combat money laundering and terrorist financing.

The World Bank and the IMF have also established a collaborative framework with the FATF for conducting comprehensive AML/CFT assessments of countries' compliance with the FATF 40+8 Recommendations, using a single global methodology.

India has been accorded 'Observer' status

### **Indian Framework:**

The Prevention of Money Laundering Act, 2002 came into effect from 1st July 2005

Necessary notifications/ rules under the said Act were published in the Gazette of India on 1st July 2005 by the Dept of Revenue, Ministry of Finance, and Government of India

Subsequently, SEBI issued necessary guidelines vide circular no. ISD/CIR/RR/AML/1/06 dated 18th January 2006 to all securities market intermediaries registered under section 12 of the SEBI Act, 1992

Guidelines were issued in the context of recommendations made by the Financial Action Task Force (FATF) on anti-money laundering standards.

SEBI issued master circular ISD/AML/Cir-1/2008 on December 19,2008 consolidating all the requirements/ obligations issued with regard to AML/ CFT till December 15, 2008

### **Applicability of PMLA Act**

- Banking company
- Financial institution
- Intermediary (which includes a stock broker, sub-broker, share transfer agent, portfolio manager, other intermediaries associated with securities market and registered under section 12 of the SEBI 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 > Rs 10 lacs or its equivalent in foreign currency.
- All integrally connected series of cash transactions < Rs 10 lacs or its equivalent in foreign currency within one calendar month.
- All suspicious transactions

### **What is Money Laundering?**

Money Laundering involves disguising financial assets so that they can be used without detection of the illegal activity that produced them.

Through money laundering, the launderer transforms the monetary proceeds derived from criminal activity into funds with an apparent legal source.

Money laundering is the process by which criminals attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities.

The term “Money Laundering” is also used in relation to the financing of terrorist activity (where the funds may, or may not, originate from crime).

Money Laundering is a process of making dirty money look clean.

Money is moved around the financial system again and again in such manner that its origin gets hidden.

### **Need for Anti Money Laundering:**

It has become more evident that the next generation of identity thieves will deploy sophisticated fraud automation tools

The increased integration of the world's financial systems and the removal of barriers to the free movement of capital have enhanced the ease with which criminal money can be laundered

Every year, huge amounts of funds are generated from illegal activities. These funds are mostly in the form of cash

The criminals who generate these funds try to bring them into the legitimate financial system

Over \$1.5 trillion of illegal funds are laundered each year

Successful money laundering activity spawning yet more crime, exists at a scale that can and does have a distorting and disruptive effect on economies, marketplaces, the integrity of jurisdictions, market forces, democracies etc.

Consequences of Money Laundering

### **Finances Terrorism:**

Money laundering provides terrorists with funds to carry out their activities

### **Undermines rule of law and governance:**

Rule of Law is a precondition for economic development – Clear and certain rules applicable for all

### **Affects macro economy:**

Money launderers put money into unproductive assets to avoid detection.

### **Affects the integrity of the financial system:**

Financial system advancing criminal purposes undermines the function and integrity of the financial system

### **Reduces Revenue and Control:**

Money laundering diminishes government tax revenue and weakens government control over the economy

### **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
- Appears to be made in circumstances of unusual or unjustified complexity
- Appears to have no economic rationale or bonafide purpose
- Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism
- Identity verification or address details seems difficult or found to be forged / false
- Asset management services where the source of the funds is not clear or not in keeping with apparent standing /business activity
- Substantial increases in business without apparent cause
- Unusual & Unexplained large value of transaction
- Transfer of large sums of money to or from overseas locations
- Unusual & Unexplained activity in dormant accounts

## **Stages of Money Laundering**

Although money laundering is a complex process, it generally follows three stages:

- **Placement** is the initial stage in which money from criminal activities is placed in financial institutions. One of the most common methods of placement is structuring—breaking up currency transactions into portions that fall below the reporting threshold for the specific purpose of avoiding reporting or recordkeeping requirements.
- **Layering** is the process of conducting a complex series of financial transactions, with the purpose of hiding the origin of money from criminal activity and hindering any attempt to trace the funds. This stage can consist of multiple securities trades, purchases of financial products such as life insurance or annuities, cash transfers, currency exchanges, or purchases of legitimate businesses.
- **Integration** is the final stage in the re-injection of the laundered proceeds back into the economy in such a way that they re-enter the financial system as normal business funds. Banks and financial intermediaries are vulnerable from the Money Laundering point of view since criminal proceeds can enter banks in the form of large cash deposits.

## **Obligation of the customer**

Provide complete details at the time of account opening

- Address proof
- Identity proof
- PAN
- Income details (Provide documentary Evidence in case you prefer to trade in Derivative Segment)

Periodically update of

- Contact details
- Financial details
- Occupational details



The transactions executed need to be commensurate with the disclosed income details

Provide requested Explanation / details for suspicious transactions

### **Ramifications**

A money launderer faces steep fines of twice the amount of the financial transaction, along with forfeiture of assets associated with the laundered funds

Association with a criminal element can severely damage the reputation. It is in the best interests to keep names free of any criminal association

Protect reputation by being informed about anti-money laundering rules and regulations. If anybody sees activity that may indicate money laundering, report it to the Director, FIU India, New Delhi

Whoever commits the offence of money-laundering shall be punishable with rigorous imprisonment for a term which shall not be less than three years but which may extend to seven or ten years and shall also be liable to fine which may extend to five lacs rupees.

## **SITUATIONS THAT MAY CALL FOR EXTRA CAUTION TO BE EXERCISED**

1. The materiality threshold limit for transactions to be scrutinized is Rs 10 lacs. However in case the management finds the need lower value transactions may also be scrutinized.
2. In case cash dealings are observed ie., the client wants to pay for the shares purchased in cash. As per NSE rules cash dealings with clients are not allowed.
3. In case the client is always making payment for purchase of shares via Demand draft or Pay order then try and find out the reason for the same.
4. In case of a pay-out the client is regularly asking for cheques to be made out in his name for various bank accounts.
5. The client is changing his/her bank account more than 2 or 3 times in a month to ensure that he/she is not engaged in any illegal activity while dealing through us.
6. The client is frequently changing his/her demat account then try and find out the reason for the same and also to ascertain whether he/she is the real owner of the securities.
7. Frequent request for transfer of trades in a specific patter in a group of clients is to be monitored.
8. In-person verification and collection of photo identity proof and verification with originals is to be conducted to ensure that no benami or bogus account is opened.
9. Focus is to be given on taking introduction while admitting new clients. As far as possible reference from a existing client or sub broker is to be taken while accounting opening to ensure that the client does not have a maligned background.
10. Abnormal delivery based transactions as compared to the past trading pattern of the client.