

CNB FINWIZ PRIVATE LIMITED

CIN: U74899HR2000PTC041149

Regd. Office: Office No. 1, Notting Hills, Opp. Pasco, Old Delhi Road, Sector-18, Gurguram, Haryana, Pin-122001
Phone No. 0124-2344503; website: www.cnbfinwiz.com

POLICIES AND PROCEDURE FOR PREVENTION OF MONEY LAUNDERING

(Issued as per the requirements of the Prevention of Money-laundering Act, 2002)

1. Company Policy:

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

2. Principal Officer Designation and Duties:

The Company has designated its Compliance Officer as the Principal Officer for its Anti-Money Laundering Program. The duties of the Principal Officer will include monitoring compliance with the AML obligations and overseeing communication and training for employees. The Principal Officer will also ensure that proper AML records are kept. When warranted, the Principal Officer will ensure filing of necessary reports with the Financial Intelligence Unit (FIU – IND).

The Company has intimated to the Office of Director, FIU-IND about the details of the Principal Officer, including name, title, mailing address, e-mail address, telephone number and facsimile number. The Company will promptly notify FIU-IND of any change to this information in future.

3. Designated Director:

The Company has designated Mr. Naman Bagri, Managing Director of the Company, as the Designated Director pursuant sub-clause 14.2 of Part II of the Prevention of Money-laundering Act, 2002 (PML Act). The Designated Director has to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and PML Rules.

The Company has communicated the details of the Designated Director such as name, designation and address to the Office of Director, FIU-IND.

4. Client Due Diligence

- a) 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;
- b) 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 (a);
- c) Understand the ownership and control structure of the client;
- d) 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; and
- e) Registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

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5. Customer Identification and Verification:

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

CONSTITUTION OF CLIENT	PROOF OF IDENTITY	PROOF OF ADDRESS	OTHERS
Individual	<ul style="list-style-type: none">• PAN Card• Voter ID Card	Copy of Bank Statement, etc	N. A.
Company	<ul style="list-style-type: none">• PAN Card• Certificate of Incorporation• Memorandum and Articles of Association• Board Resolution	Copy of Bank Statement, etc	Proof of Identity of the Directors / Others authorized to trade on behalf of the company
Partnership Firm	<ul style="list-style-type: none">• PAN Card• Registration Certificate• Partnership Deed	Copy of Bank Statement	Proof of Identity of the Partners / Others authorized to trade on behalf of the firm
Trust	<ul style="list-style-type: none">• PAN Card• Registration Certificate• Trust Deed	Copy of Bank Statement	Proof of Identity of the Trustees / others authorized to trade on behalf of the trust
AOP / BOI	<ul style="list-style-type: none">• PAN Card• Resolution of the Managing Body• Documents to collectively establish the legal existence of such an AOP / BOI	Copy of Bank Statement	Proof of Identity of the Person authorized to trade on behalf of the AOP / BOI

- 1. If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our Company will not open the new account.*
- 2. All PAN Cards received will be verified from the Income Tax/ NSDL website before the account is opened.*
- 3. The company will maintain records of all identification information for a period of Eight years after the business relationship with client has ended or the account has been closed, whichever is later.*

6. Maintenance of records:

We have observed the following document retention:

1. We are bound to maintain all necessary records, if any, on transactions, both domestic and international at least for the minimum period prescribed under the relevant Act or at least for a minimum period of 8 years.

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2. We are also bound to keep records, if any, on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence for the same period.

In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they must be retained until it is confirmed that the case has been closed.

7. Risk-based Approach

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, the registered intermediaries shall apply each of the client due diligence (CDD) measures on a risk sensitive basis. The basic principle enshrined in this approach is that the registered intermediaries shall adopt an enhanced client due diligence process 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 registered intermediaries shall obtain necessarily depend on the risk category of a particular client. Further, low risk provisions shall not apply 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.

8. Clients of special category (CSC):

- i. Non-resident clients;
- ii. High net-worth clients;
- iii. Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
- iv. Companies having close family shareholdings or beneficial ownership;
- v. Politically Exposed Persons (PEP) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.;
- vi. Companies offering foreign exchange offerings;
- vii. Clients in high risk countries 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. While dealing with clients in high risk countries where the existence/effectiveness of money laundering control is suspect, intermediaries apart from being guided by the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org), shall also independently access and consider other publicly available information.
- viii. Non face to face clients
- ix. Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and the Company shall exercise independent judgment to ascertain whether any other set of clients shall be classified as Client of Special Category (CSC) or not.

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9. Policy for acceptance of Clients:

The Company has developed client acceptance policies and procedures that aim to identify the type of clients that are likely to pose a higher than average risk of ML or TF. By establishing such policies and procedures, company will be in a position to apply client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction. In a nutshell, the following safeguards are to be followed while accepting the clients:

- a) No account is opened in a fictitious / benami name or on an anonymous basis.
- b) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly 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.
- c) Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by Forward Market Commission (FMC) from time to time.
- d) Ensure that an account is not opened where the intermediary is unable to apply appropriate CDD measures / KYC policies. This shall be applicable 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 co-operation of the client in providing full and complete information. The market intermediary shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. The market intermediary shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the market intermediary shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.
- e) The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with the intermediary, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.
- f) Necessary checks and balance to be put into place before opening an account so as to ensure that the identity of the client does not match 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 agency worldwide.
- g) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

10. Client identification procedure:

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

Company shall be in compliance with the following requirements while putting in place a Client Identification Procedure (CIP):

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- a) Company shall proactively put in 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.
- b) Company is required 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, company shall obtain senior management approval to continue the business relationship.
- c) Company shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP".
- d) The client shall be identified by the company by using reliable sources including documents / information. The company shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- e) The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the company in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.
- f) Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority within the company.

11. List of Designated Individuals/Entities

Company will ensure that accounts are not opened in the name of anyone whose name appears in 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 (UNSCRs) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>.

Company shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to Forward Market Commission (FMC) and FIU-IND.

12. Monitoring Accounts for Suspicious Activity:

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

1. The customer exhibits unusual concern about the company's compliance with government reporting requirements and the company's AML policies (particularly concerning his or her identity, type of business and assets), or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspicious identification or business documents.
2. The customer wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer's stated business or investment strategy.
3. The information provided by the customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.

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4. Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.
5. The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
6. The customer exhibits a lack of concern regarding risks, commissions, or other transaction costs.
7. The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.
8. The customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.
9. The customer attempts to make frequent or large deposits of currency, insists on dealing only in cash, or asks for exemptions from the firm's policies relating to the deposit of cash.
10. The customer engages in transactions involving cash or cash equivalents or other monetary instruments that appear to be structured to avoid the Rs. 10,00,000 government reporting requirements, especially if the cash or monetary instruments are in an amount just below reporting or recording thresholds.
11. For no apparent reason, the customer insists for multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers.
12. The customer engages in excessive journal entries between unrelated accounts without any apparent business purpose.
13. The customer requests that a transaction be processed to avoid the firm's normal documentation requirements.
14. The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of commodities which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)
15. The customer's account shows an unexplained high level of account activity.
16. The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.
17. The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer.

13. Risk Assessment

- i. Registered intermediaries shall carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc. 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 can be accessed at <http://www.un.org/sc/committees/1267/aqsanctionslist.shtml>)
- ii. 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.

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14. Reliance on third party for carrying out Client Due Diligence (CDD)

- i. Company may rely on a third party for the purpose of (a) identification and verification of the identity of a client and (b) determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.
- ii. Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by Forward Market Commission (FMC) from time to time. Further, it is clarified that the company shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

15. Reporting to FIU-IND:

For Suspicious Transactions Reporting (STR):

We will make a note of Suspicion Transaction that have not been explained to the satisfaction of the Principal Officer and thereafter report the same to the FIU IND and the required deadlines.

This will typically be in cases where we know, suspect, or have reason to suspect:

- the transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade any the transaction reporting requirement,
- the transaction is designed, whether through structuring or otherwise, to evade the any requirements of PMLA Act and Rules framed thereof
- the transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and we know, after examining the background, possible purpose of the transaction and other facts, of no reasonable explanation for the transaction, or
- the transaction involves the use of the firm to facilitate criminal activity.

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

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

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

16. Employees' Hiring/Employee's Training/ Investor Education:

Hiring of Employees:

There is proper system of screening procedures to ensure high standards when employees are hired for the position vacant with the organization. Especially the employees in the category of senior executive level and accounts head are selected who are highly competent to ensure and comply with the provisions of PMLA Act, 2002 and rules made there under in true sense.

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Employees' Training;

We have policy for ongoing employee training program so that the total staff of our company is completely aware of the provisions of AML and CFT procedures and amendments thereof. These training programs are totally focused for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new customers as it is very crucial that all those concerned fully understand the rationale behind these guidelines, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements, if there is any lapse on the part of any staffs of the company.

Investors Education:

To implement AML/CFT provisions in true sense there is need to get certain information from investors which may be of personal nature or which have hitherto never been called for. Such information can include documents evidencing source of funds/income tax returns/bank records etc. To satisfy the investors on these aspects so that they can easily provide the information to us we have made them aware of PMLA provisions by way of literature formulated by us for all the investors.

17. Confidential Reporting of AML Non-Compliance:

In case of any violation of the Company's AML Compliance Program, employees will report to the Principal Officer about the same. Such reports will be kept confidential and the respective employee will suffer no retaliation for bringing to notice.

18. Review of Policy

Managing Director or any other authorized official shall be the authority to give directions for review of the policy (i.e. normally after 6 months) and to undertake additions, changes, modifications etc. as directed by SEBI/ FIU-IND and all the changes shall be deemed to be incorporated in this policy from their effective date.

For CNB Finwiz Private Limited

Paras Sharma
Compliance Officer

Place: Gurgaon
Date: 30.09.2019