

PK Investments

Version 2.2024

(Reviewed on 20.03.2024)

Anti Money Laundering Measures

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01. Introduction

The Guidelines as outlined below provides a general background on the subjects of money laundering and terrorist financing and summarizes the main provisions of the applicable anti-money laundering and anti-terrorist financing legislation in India and provides guidance on the practical implications of the Prevention of Money Laundering Act, 2002. These Guidelines/Policy/Measures is intended for use by all employees and representatives of PK Investments The Guidelines/Policy/Measure also sets out the steps that all employees of PK Investments and any of its representatives, are implementing to discourage and identify any money laundering or terrorist financing activities. The overriding principle is enable to satisfy them that the measures taken are adequate, appropriate and follows the spirit of the measures and the requirements as enshrined in the Prevention of Money Laundering Act, 2002 ('PMLA'/'Act') The relevance and usefulness of these Guidelines/Policy/Measures are kept under review and it may be necessary to issue amendments from time to time. It is recognized that a "one-size-fits-all" approach shall not be appropriate for the Stock industry; and hence PK Investments after considering the specific nature of our business, type of clients, transactions etc. has implemented the suggested measures and procedures to ensure that they are effectively applied in letter and spirit.

02. Background

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 Department of Revenue, Ministry of Finance (Government of India). We PK Investments being a Stockbroker have implemented various procedures and principals following the erstwhile SEBI guidelines to fulfill the distinguished objectives of the PMLA.

As per the provisions of the Act, PK Investments being registered intermediary shall maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA and in these procedure document at appropriate place. 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.
- 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, etc.

03. Objectives

Money laundering has now become one of the major concerns of international financial community. Money Laundering is not just an attempt to disguise money derived from illegal activities. Rather, money laundering is involvement in any transaction or series of transactions that seek to conceal or disguise the nature or source of proceeds derived from illegal activities, including drug trafficking, terrorism, organized crime, fraud and many other crimes. The objective is to have a system in place for preventing any money laundering financial transaction through us and also to identify, monitor, report any such transaction to appropriate authorities.

Know Your Customer ("KYC") is the guiding principle behind the Anti-Money Laundering/Prevention of Money Laundering ("AML"/"PML") measures. The objective of is to "have in place adequate policies, practices and procedures that promote high ethical and professional standards and

prevent the Company from being used, intentionally or unintentionally, by criminal elements". KYC Standards and AML Measures would enable the Company to know / understand its customers, the beneficial owners, the principals behind customers who are acting as agents and their financial dealings better which in turn will help the Company to manage its risks prudently.

The management of the company is fully committed to establish appropriate policies and procedures for ensuring effectiveness and compliance with respect to all relevant legal requirements in respect of AML/PMLA.

04. Policies and Procedures to Combat Money Laundering and Terrorist Financing

Essential Principles

These Guidelines/Policy/Measures have taken into account the requirements of the PMLA as applicable to PK Investments under Section 12 of the SEBI Act. PK Investments has considered carefully the specific nature of its business, organizational structure, type of client and transaction, etc. to satisfy itself that the measures taken by it are adequate and appropriate and follow the spirit of the suggested measures in Part II and the requirements as laid down in the PML Act.

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.

To be in compliance with these obligations, the senior management of PK Investments is fully committed to establish appropriate policies and procedures for the prevention of Money Laundering ('ML') and Terrorist Financing ('TF') and ensure their effectiveness and compliance with all relevant legal and regulatory requirements PK Investments shall abide by following:

- a) Defining PK Investments's Anti Money Laundering Policy/Measures
- b) Issuing 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;
- c) Ensuring that the content of AML Directives are understood by all staff members;
- d) Ensuring compliance of PK Investments's AML Policy/Measures
- e) Acting as a central reference point and playing an active role in identification & assessment of potentially suspicious transactions
- f) Regularly reviewing the policies and procedures on the prevention of ML and TF to ensure their effectiveness.
- g) Adopting client acceptance policies and procedures which are sensitive to the risk of ML and TF;
- h) Undertaking client due diligence ("CDD") measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction;
- i) Having a system in place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- j) Ensuring that PK Investments discharges its legal obligation to report suspicious transactions to the FIU.
- k) Ensuring that this Guideline/ Policy/Measure is explained to all the concerned in the **Stock** broking operations give adequate training to all the concerned staff.

- l) Ensuring that this Guideline/ Policy/Measure is reviewed and tested frequently for its effectiveness
- m) Developing staff members' awareness and vigilance to guard against ML and TF.
- n) Review Guideline/ Policy/Measure from time to time to ensure latest regulatory measure on AML/PMLA

PK Investments's Policies and Procedures to Combat ML covers the following:

- a) Communication of group policies relating to prevention of ML and TF to all management and relevant staff members.
- 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 functions to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF.

05. General Guidelines

- a) Obtaining sufficient information in order to identify persons who beneficially own or control 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 should 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.
- b) Collect all the possible supporting documents to identify the customer and verify the customer's identity using reliable, independent source documents, data, or information.
- c) Collecting the documents which support the corresponding address as well as permanent address of the client.
- d) Fulfill the entire requirement for establishing the financial status of the client as stipulated by the concerning authority.
- e) Ensure that all the relevant data of the client is clearly and completely entered in the records and all these should be done under the supervision of senior official of the concerning department.
- 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) If there is any request for the modification of the records, it should be through an application duly signed by the said client and should be forwarded personally or by a faithful person authorized by him.
- h) We ensure that an account is not opened where we are unable to apply appropriate clients due diligence measures/ KYC policies.
- i) We shall not continue to do business with suspicious person/entities and file a report with regulatory authorities after determining whether to freeze or close the account.
- j) We ensure the circumstances under which the client is permitted to act on behalf of another person / entity should be clearly laid down. It should be specified in what manner the account authority required for transactions exceeding a specified quantity / value and other appropriate details. Adequate verification of a person's authority to act on behalf of the customer should also be carried out.

PART – II DETAILED DIRECTIVES

6. Written Anti Money Laundering Procedures

PK Investments has adopted written procedures to implement the anti money laundering provisions as envisaged under the PMLA. Such procedures include inter alia, the following three specific parameters which are related to the overall ‘Client Due Diligence Process’:

- a) Policy for acceptance of clients
- b) Procedure for identifying the clients
- c) Transaction monitoring and reporting especially Suspicious Transactions Reporting (‘STR’).

7. Client Due Diligence

Elements of Client Due Diligence

The CDD measures comprise the following:

- a) Obtaining sufficient information in order to identify persons who beneficially own or control the account.
- b) Verify the client’s identity using reliable, independent source documents, data or Information;
- c) 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;
- d) 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);
- e) Understand the ownership and control structure of the client;
- f) Conduct ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account to ensure that the transactions being conducted are consistent with the knowledge of the client, its business and risk profile, taking into account, where necessary, the client’s source of funds; and
- g) Updating client identity documents will be carried for the account where there is no trading in last one year i.e. disabled account at time of enablement. Where Accounts opened on reliance of third party, documents verification with the KYC authorities will be taken at least once in two years
- h) PK Investments shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

Policy for Acceptance of clients

PK Investments has the following client acceptance policies and procedures:

- a) No account is opened in a fictitious / benami name or on an anonymous basis.
- b) Factors of risk perception of the client are clearly defined having regard to clients’ location, 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 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) Collection of Documentation requirements and other information in respect of different classes of clients depending on the perceived risk.
- d) PK Investments ensures that Account is not

opened where it 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 PK Investments is suspected to be non genuine. We are cautious to ensure that we do not execute any suspicious trades in securities market.

- e) In circumstances under which the client is permitted to act on behalf of another person, the client has to give in writing specifying in what manner the account shall be operated, transaction limits for operation and other appropriate details. Further, rights and responsibilities of both person i.e. agent-clients registered with PK Investments as well as the person on whose behalf the agent is acting shall be clearly laid down.
- f) Before opening an account necessary checks and balance are put into place 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. We are carrying out the following procedure to check whether the identity of the client does not match with any person who is not banned in any manner or having a criminal background :-
- Whenever a prospective client comes for account opening first of all we take his pan card copy and check the same with the SEBI debarred list, with the IT Website and also check the name of the client with List of Terrorist individuals / organizations – under UNSCR 1267 (1999) and 1822(2008) on Taliban / Al-Qaida organization. And we take his Aadhar Card, In the case of corporates we verify the Company details like directors, registered office address etc. with the MCA website.
 - Also, 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 <http://www.un.org/sc/committees/1267/consolist.shtml>. PK Investments shall ensure that accounts are not opened in the name of anyone whose name appears in said list. Further, PK Investments 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 SEBI and FIU-IND
- g) When there is a suspicion of money laundering or financing of terrorism, the CDD process shall be revisited.

Risk-based Approach

Clients have been categorized on various grounds like client's location, registered office address, correspondence addresses and other address if any applicable, nature of business activity, trading turnover etc and manner of making payment for transactions.

Clients are categorized in following three categories

Low risk clients

Include a client who has satisfied following criteria:

One who provides all documents at the time of account opening without any delay and who is?

- Resident of India;
- Proofs verified with originals;
- Provides income proof;
- No delegation of authority for operation of account;
- Always provide funds in time;
- Places order within reasonable period of time;

Medium risk client

Clients who cannot be comfortably placed in neither in Low risk nor in high risk category shall be classified as medium risk client.

High risk client

Includes all clients mentioned under Special category of clients and any client against whom any order is passed by regulatory authorities or any investigation is launched which is pending, any client against whom any regulatory order is passed for accessing market then such client will automatically be black listed and no further trading shall be done for those accounts.

Clients of Special Category (CSC)

Such clients include the following:

- a) Trust, Charities, NGOs and organizations receiving donations
- b) Companies having close family shareholdings or beneficial ownership
- c) Politically exposed persons (PEP) of foreign origin
- d) Companies offering foreign exchange offerings
- e) 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.
- f) Clients who insists on making cash transaction;
- g) Clients whose cheque bounces frequently;
- h) Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and PK Investments shall exercise independent judgment to ascertain whether any set of other clients shall be classified as CSC or not.

Client identification procedure:

Primary Guideline

- The 'Know your Client' (KYC) form is duly completed in all respects and are supported with all necessary documents. If client has not provided information with regard to any column then his account should not be opened and the client is to be asked to complete the form along with supporting documentary evidence. The client is identified by using reliable sources including documents / information. The staff shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- The information obtained by staff should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) that the due diligence is observed by the staff in compliance with the Guidelines. At the time of accepting KYC form, copies of documents submitted are to be verified with original documents.
- Accepts clients on whom PK Investments is able to apply appropriate KYC procedures: Obtain complete information from the client. It should be ensured that the initial forms taken by the clients are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. Ensure that the 'Know Your Client' guidelines are followed without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified.
- Do not accept clients with identity matching persons known to have criminal background: Check whether the client's identity matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory agency worldwide.
- Put in place appropriate risk management systems to determine whether the client or potential client or the beneficial owner of such client is a politically exposed person.
- Be careful while accepting Clients of Special category: We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed shareholding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non-face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange, etc.) Or clients from high-risk countries (like Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc). Scrutinize innately the records / documents pertaining to clients belonging to aforesaid category.
- Approval of senior management is required for establishing business relationships with PEPs. Further, approval is also required where a client has already been accepted and subsequently found to be/becomes PEP.
- Reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.

- Failure by prospective client to provide satisfactory evidence of identity is been noted and reported to the higher authority.

Taking into account the minimum requirements relating to KYC & the basic principles enshrined in the KYC norms which have already been prescribed by SEBI or which may be prescribed by SEBI from time to time, we have framed our own internal directives based on experience in dealing with our clients and legal requirements as per the established practices. Further, we should assure to conduct ongoing due diligence wherever we notice inconsistencies in the information provided. The underlying objective is to follow the requirements enshrined in the PMLA & SEBI Act and Regulations, directives and circulars issued there under so that we are aware of the clients on whose behalf we are dealing.

PK Investments has formulated and implemented a CIP which shall incorporate the requirements of the PML Rules Notification No. 9/2005 dated July 01, 2005 (as amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients of the banking companies, financial institutions and intermediaries of securities market and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients. PML Rules have recently been amended vide notification No. 13/2009 dated November 12, 2009 and which are adhered by PK Investments

PK Investments staff shall not give any exemption from obtaining the minimum information / documents from clients as stipulated in the PML Rules / SEBI Circulars (as amended from time to time) regarding the verification of the records of

the identity of clients, irrespective of the amount of investment made by clients. Further, no exemption available from carrying out CDD exists in respect of any category of clients.

08. Record Keeping

PK Investments shall ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

- All documents are to be preserved for 10 years and this includes books of accounts, agreements, duplicate copies of contract notes, recorded messages, order books;
- For active account documents like KYC, agreement, passports, PAN card copy, driving license, Aadhar card copy, bank letter etc are preserved permanently;
- In case account is closed if it was inactive for 5 years then documents are maintained for 10 years from date of closure;
- For accounts, which are frozen on our own account or on receiving order from authorities, all documents are preserved until final disposition of case to the satisfaction of authorities.

All documents & records which are sufficient to permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal behavior shall be maintained.

If there is any suspected drug related or other laundered money or terrorist property, we shall retain the following information for the accounts of clients in order to maintain a satisfactory audit trail to facilitate the investigating authorities:

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

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

More specifically, PK Investments has put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

- a) all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- b) all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
- c) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery has taken place;
- d) all suspicious transactions whether made in cash and by way of as mentioned in the AML Rules.

09. Information to be maintained & Retention of Records

PK Investments shall maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

- 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.

PK Investments has taken appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PML Rules are maintained and preserved for a period of ten years from the date of transactions between the client and PK Investments

PK Investments has formulated and implemented the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. The records of the identity of clients

are to be maintained and preserved for a period of ten years from the date of cessation of the transactions between the client and PK Investments

Thus the following document retention terms are observed:

- a) All necessary records on transactions are maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed there under as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.
- b) Records on client identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence are also be kept 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, the same has retained until it is confirmed that the case has been closed.

Providing audit trails to authorities for potential money laundering activities following information's are retained for reasonable period of time:-

- a) Beneficial owner of account
- b) Volume of fund flowing through account
- c) For selected transactions
 - The origin of funds;
 - Form in which fund was offered;
 - Form in which fund was withdrawn e.g. cash, cheques etc.
 - Identity of person taking transaction;
 - Destination of fund;
 - Form of instruction and authority.

10. Monitoring of Transactions and Reporting

- a) Cash transaction of value of Rs. 10 lacs
- b) Cash transaction aggregating to 10 lacs within a calendar month's time.
- c) All cash transactions were forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place
- d) Any other suspicious transaction whether made in cash or not.
- e) All documents, slips, recordings etc. related to any suspicious transactions are preserved as per record keeping policy.
- f) Any transaction/ order, which arises the suspicion of any employee, is diligently and immediately informed to compliance/Risk department.
- g) List of black listed clients and suspicious clients is maintained for reference of employees. Whereas no trading is been taken for clients mentioned in black list, to trade for clients in suspicious list one is to be extra vigilant.
- h) All the persons who are debarred/warned by SEBI/Exchanges to access capital market are treated as blacklist clients or any client against whom firm has reported to authorities for alleged money laundering activities and matter is still pending before or order is given against client.

i) An illustrative list is provided below for reference of employees as what could be a suspicious transaction or irregular transaction:

- If the order is placed by dormant client i.e. order placed by client after a period of 6 months from his/her last transaction.
- Any transaction, which does not make economic sense or is complex or unusually large, should be immediately brought to the notice of respective head of department and Compliance department.
- Clients whose identity verification seems difficult or clients appear not to cooperate.
- Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;
- Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
- Large number of accounts having common parameters such as common partners / directors / promoters / address / email addresses / telephone numbers / introducers or authorized signatories
- Source of funds are doubtful or inconsistency in payment pattern
- Multiple transactions of value just below the threshold limit specified in PMLA so as to avoid possible reporting
- Substantial increases in business without apparent cause;
- Unusually large cash deposits made by an individual or business;
- Clients transferring large sums of money to or from overseas locations with instructions/request for payment in cash;
- Requests to transfer money to third parties with or without any known connection to our customers;
- Unusual transactions by CSCs and businesses undertaken by shell corporations, off shore banks/financial services, business reported to be in the nature of export-import of small items
- Clients in high risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions
- Clients transferring large sums of money to or from overseas locations with instructions for payment in cash
- If the single transaction is exceeding Rs. 50 Lakh, permission from Compliance Officer is required
- There is an unusual and unnecessary involvement of an intermediary/third party;
- The transaction is not settled in the normal manner;
- Cash movements in and out of an account within a short period of time.

The above mentioned list is only illustrative and PK Investments shall exercise independent judgment to ascertain whether any transaction is suspicious or not.

j) Any suspicious transaction should be immediately notified to the Principal Officer or any other designated officer within PK Investments

k) The notification should be done in the form of a detailed report with specific reference to the clients, transactions and the nature/reason of suspicion.

Other Important Points

- a) Reasons for treating any transaction or a series of transactions as suspicious should be recorded. It should be ensured that there is no undue delay in arriving at such a conclusion.
- b) Utmost confidentiality should be maintained in submitting the information.
- c) The reports may be transmitted by email/speed/registered post/fax at the Head Office addressed to the Principal Officer.
- d) No restriction may be put on operations in the accounts where a Suspicious Transaction Report has been made.
- e) It should be ensured that there is no tipping off to the client at any level.
- f) DP will be annually updating Documents taken during the client due diligence (CDD) process
- g) Apart from the above measures, we take special care in case of transactions related to **Depository Division** such as:
 - If instruction to transfer the securities is received from an inactive beneficiary owner or the BO not traded for a long time, verification or confirmation from the concerned client is required
 - All transactions should be verified according to the transaction value through maker and checker principal, which means for each transaction, there must be at least two individuals necessary for its completion and while one individual (maker) may create a transaction, the other individual (checker) should be involved in the confirmation or the authorization of the same. This ensures the strict control over the system.
 - All off market transactions i.e. between two parties without the involvement of any clearing corporation or a stock exchange should be duly confirmed by the concerned client

Considering the SEBI Guidelines prescribed in AML Master Circular dated December 31, 2010 (Circular/ISD/AML/3/2010) along with all the relevant circulars issued by regulators on AML/PML we shall appoint and designate Principal Officer and Designated Director. The Principal Officer/Designated Director is responsible for reporting suspicious transactions to higher authorities Transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND.

11. List of Designated Individuals/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://www.un.org/sc/suborg/en/sanctions/1267/aq_sanctions_list and <https://www.un.org/sc/suborg/en/sanctions/un-sc-consolidated-list> and <https://www.un.org>

PK Investments staff should ensure that accounts are not opened in the name of anyone whose name appears in said list and PK Investments 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. An indicative list of websites/links for checking names of clients for new clients and existing clients is as under:

- https://www.un.org/sc/suborg/en/sanctions/1267/aq_sanctions_list
- <https://www.un.org/sc/suborg/en/sanctions/un-sc-consolidated-list>
- <https://www.un.org>
- <http://www.fiuindia.gov.in/files/misc/unscsanction.html>

- www.sebi.gov.in

Full details of accounts bearing resemblance with any of the individuals/entities in the list have to be immediately be intimated to SEBI and FIU-IND.

12. Procedure for freezing of funds, financial assets or economic resources or related services

PK Investments is aware that Under section 51A of Unlawful Activities (Prevention) Act, 1967, 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.

13. Reporting to Financial Intelligence Unit-India

In terms of the PML Rules, we are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND, Financial Intelligence Unit-India, 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi-110021 Website: http://fiuindia.gov.in

PK Investments should go through all the reporting requirements and formats which are divided into two parts - Manual Formats and Electronic Formats. Details of these formats are given in the documents (Cash Transaction Report and Suspicious Transactions Report).

These documents contain detailed directives on the compilation and manner/procedure of submission of the manual/electronic reports to FIU-IND. PK Investments, if not in a position to immediately file electronic reports, may file manual reports with FIU-IND as per the formats prescribed. Detailed instructions for filing all types of reports are given in the instructions part of the related formats, PK Investments shall adhere to the following:

- a) The Cash Transaction Report (**CTR**) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- a) The Suspicious Transaction Report (**STR**) to be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer should record his reasons for treating any transaction or a series of transaction as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion.
- b) The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND.

- c) Utmost confidentiality shall be maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address.
- d) No nil reporting needs to be made to FIU-IND in case there are no cash/suspicious transactions to be reported.

PK Investments shall not put any restrictions on operations in the accounts where an STR has been made. PK Investments and their directors, officers and employees (permanent and temporary) shall be prohibited from disclosing (**'tipping off'**) the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level. It is clarified that the PK Investments irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if we have reasonable grounds to believe that the transactions involve proceeds of crime.

14. Designation of an officer for reporting of suspicious transactions

Principal Officer/Designated Director is responsible for reporting suspicious transactions to higher authorities Transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND.

The Names, designation and addresses (including email addresses) of 'Principal Officer' and Designated Director including any changes therein shall also be intimated to the Office of the Director-FIU.

15. Employees' Hiring/Employee's Training/ Investor Education

Hiring of Employees

PK Investments has adequate screening procedures in place to ensure high standards when hiring employees; it identifies the key positions within the organization structures and ensures that the employees taking up such key positions are suitable and competent to perform their duties.

Further, no candidate shall be selected who has ever been convicted of offence under Money Laundering Act or any other civil or criminal Act. While appointing an employee, Screening will be done on (a) family background (b) Educational Qualification (c) Intelligence & capability to handle the work assigned (especially w.r.t. knowledge of AML/PMLA guidelines)

Employees' Training

PK Investments has policy for ongoing employee training program so that every staff of PK Investments 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 PK Investments A register/record of attendance of participation in such Education/ training program shall be maintained for the employees.

Investors Education

Before account opening PK Investments staff should demands certain information like documents evidencing source of funds/income tax returns/bank records etc. from investors which may be of personal nature for Implementation of AML/CFT measures. PK Investments. should educate the client about the importance and broad principle of AML/CFT.

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.

16. Designated Principal Officer

In case any further information/clarification on Guidelines/Policy/Measures relating to AML/PMLA is required; the 'Principal Officer' may be contacted:

PK Investments Plot No 1, Togare Nagar Kartapura Jaipur (Raj) Email:pkinvestments@gmail.com

PK Investments shall intimate about appointment of Designated Director and Principal Officer to the Financial Intelligence Unit, India and further any changes and appointment Designated Director and Principal Officer will be again intimated to FIU on timely basis.

17. Review of PMLA/AML Policy

PK Investments shall regularly review the AML/PMLA 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.

PK Investments shall take adequate measures as per its internal policy to prevent money laundering and shall also put in place a framework for PMLA policy. The policies and procedures as mentioned above shall not be exhaustive as PK Investments may adopt additional measures to safeguard its interest with respect to activities associated with PMLA and in compliance to Guidelines/Circulars/Amendments laid down by SEBI from time to time.