

PREVENTION OF MONEY LAUNDERING ACT,2002

POLICIES FRAMED AND PROCEDURES ADOPTED FOR CREATING AWARENESS ON LARGER SCALE BY BHUBANESWAR STOCK EXCHANGE LTD. DEPOSITORY PARTICIPANT OF CDSL (DP ID – 13070700) SEBI REGN. NO. : IN-DP-CDSL-610-2011

1. INTRODUCTION AND OBJECTIVES

The PMLA 2002 and rules notified there under impose an obligation on banking companies, financial institutions and intermediaries registered under SEBI Act,1992 to verify the identity of clients, maintain records and furnish information to FIU-IND.

Intermediary as defined under Section 12 of SEBI Act,1992 includes stock brokers and sub brokers, also **M/s. Bhubaneswar Stock Exchange Limited** being a Stock Exchange, a Depository Participant needs to adhere to the same. Therefore, this act is applicable to our Company and our registered Stock Brokers and Sub-Brokers.

It is the policy of our Company to prohibit and actively prevent money laundering and any activity that facilitates money laundering of 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. The Company also exercise client due diligence and define and segregate clients as special categories and according to their risk profile. The Company also laid stress that its registered Stock Brokers should implement their own policies as well to discourage and to identify any money laundering activities and various directives issues by the Company time to time. The relevance and usefulness of these directives is kept under review and necessary amendments are issued via notices, logic and meetings. The objective of our Company is to have system in place for preventing any money laundering financial transaction through us and also to identify, monitor, report any such transaction to appropriate authorities.

2. Principal Officer Designation and Duties

Mr. Gadadhar Mishra, who is serving as Manager of the Company acts as the "Principal Officer" appointed by the Board of Directors of the Company and is responsible for;

- Compliance of the provisions of the PMLA and AML guidelines
- Maintains records of all transactions as prescribed under rule
- Act as a central reference point and play an active role in identification and assessment of potential suspicious transactions.
- Ensure that Bhubaneswar Stock Exchange Limited discharges its legal obligations to report suspicious transactions to concerned authorities.

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- Ensure filling of necessary reports with the Financial Intelligence Unit (FIU – IND).
- Ensure that policies and procedure are regularly reviewed to maintain its effectiveness.

The Company has provided the FIU with information for appointment of the Principal Officer. The Principal Officer, including name, title, mailing address, e-mail address, telephone number and facsimile number. The Company will promptly notify FIU of any change to this information.

3. **Regulatory and Statutory Requirements**

(a) Client Due Diligence (CDD)

The main aspect of this policy is the customer due diligence process which means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. Bhubaneswar Stock Exchange Ltd. obtains sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional. To conduct on going due diligence and scrutiny of the account/client to ensure that the transaction conducted are consistent with the client's background/financial status, its activities and risk profile. The Company adopted appropriate CDD measures comprising of :

- To obtain sufficient information in order to identify persons who will beneficially own or control the account and whose behalf a transaction is being conducted.
- To verify clients identity using reliable, independent source, documents data or information.
- To conduct on going due diligence and scrutiny throughout the course of business relationship to ensure that transaction conducted are consistent with Company's knowledge of clients, its business and risk profile and taking into account when necessary, the clients source of funds.
- To update all documents, data or information of all clients and beneficial owners collected under CDD process.

(b) Know Your Client (KYC)

The KYC Policy has been framed incorporating the following key elements :

- Customer Acceptance Policy which includes each client should be met in person, KYC should be done for all the clients and no account to be opened in a fictitious/benami name or on an anonymous basis.
- Customer Identification Procedures includes that the clients are to be classified as per the risk into three categories, low, medium and high risk clients.

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- Suspicious transaction identification and reporting which also include any unusual activity compared to the past transactions, sudden activity in the dormant accounts and sudden high volume/value transactions.

The Principal Officer shall report for the details of any/or all suspicious transactions recorded.

(A) Customer Acceptance Policy (CAP)

The following aspects are taken into consideration by Bhubaneswar Stock Exchange Limited for acceptance of Customers so as to ensure that :

- Each client should met in person
- Obtain complete information from the client. The KYC form should be filled completely in all respects.
- No account is opened in anonymous or fictitious/benami name(s) or matching with any criminal background.
- Documentation requirements and other information as stipulated by the Regulatory Authority/any other relevant authority is collected in respect of different categories of customers especially clients of "Special Category" which includes NRI, High Net Worth clients, Trust, Charities, NGOs, Companies having close family shareholdings or beneficial ownership, politically exposed persons, companies offering foreign exchange offerings, non face to face clients and clients with dubious reputation as per public information. Such client will be given higher degree of due diligence and regular update of KYC profile.
- No account is opened where Bhubaneswar Stock Exchange Ltd. is unable to apply appropriate customer due diligence measures i.e. where Bhubaneswar Stock Exchange Ltd. is unable to verify the identity and/or obtain documents required due to non-cooperation of the customer or non-reliability of the data/information furnished by the Customer.
- Circumstances, in which a customer is permitted to act on behalf of another person/entity, are clearly defined as there could be occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in the fiduciary capacity and it will be done under proper written authority.
- Necessary precautions have been taken for opening a new account so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc.

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CUSTOMER IDENTIFICATION PROCEDURE**PAN HAS BEEN MADE MANDATORY BY SEBI FOR OPERATIONS OF ALL THE BENEFICIARY ACCOUNTS W.E.F. 1ST JANUARY,2007.**

It is, therefore, ensured before the opening of any Demat Account of a client with Bhubaneswar Stock Exchange Ltd. that the PAN details available on the copy of PAN Card submitted by the Client are verified from the site of the Income Tax of India. Further, the photograph/signatures of the clients available on the PAN Card are also matched with the photograph/signatures available in the **Client's Account Opening Form**.

In order to ensure correctness of the proof of address, the copy of proof of address like Voter's Identity Card, Passport, Bank Pass Book alongwith statement, Ration Card, latest Electricity Bill/Telephone Bill **in the name of the Client** is verified with the original.

At the time of opening an account or executing any transaction with it, the 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
Company	PAN Card Certificate of Incorporation Memorandum & Articles of Association Resolution of Board of Directors	Copy of Bank Statement etc. Total list as per SEBI	Proof of identity of the Directors/others authorized to operate on behalf of the Company .
Partnership Firm	PAN Card Registration Certificate Partnership Deed	Copy of Bank Statement etc. Total list as per SEBI	Proof of identity of the Partners/others authorized to operate on behalf of the Firm .
Trust	PAN Card of HUF Registration Certificate Trust Deed	Copy of Bank Statement etc. Total list as per SEBI	Proof of identity of the Trustees/others authorized to operate on behalf of the Trust .
AOP / BOI	PAN Card Resolution of the Managing Body Documents to collectively Establish the legal existence of such AOP / BOI	Copy of Bank Statement etc. Total list as per SEBI	Proof of identity of the Persons authorized to operate on behalf of the AOP / BOI .

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Constitution of Client	Proof of Identity	Proof of Address	Others
NRI	PAN Card	Passport Proof of overseas address and Indian address. Total list as per SEBI	PIS permission issued by the Bank. Copy of the Bank Statement and Demat Statement

If a potential or existing customer either refuses to provide the information described as above when requested or appears to have intentionally provided misleading information, our Company will not open the new account. Reasonable measures will be taken to verify the source of funds as well as wealth of the client.

All PAN Cards received will be verified from the Income Tax/NSDL website before the account is opened.

The Company will maintain records of all identification information for ten years after the account has been closed.

RISK PROFILING OF THE CLIENTS

In this category, clients are identified as per the risk they are likely to pose than average risk clients. For this purpose, Bhubaneswar Stock Exchange Ltd. has classified clients into three categories, Low Risk Clients, Medium Risk Clients and High Risk Clients. By applying this strategy, Bhubaneswar Stock Exchange Ltd. is in better position to deal with the clients taking into consideration the high degree of due diligence. The factors of risk perception depend on client's background, client's location, nature of the business activity, turnover, nature of transaction, manner of payment for transaction undertaken etc.

Category A : High Risk Clients : *The Company has categorized High Risk Client's are those who have defaulted or criminal/suspicious background, having multiple accounts, transactions repetitively reflect market manipulation.*

Category B : *Medium Risk Clients : Clients deal/work in intra-day or speculative transactions and whose turnover is not in line with the financials declared but do have Pay-in/Pay-out control with the Company by submitting running accounts operation with the Company.*

Category C : *Low Risk Clients : The Company has categorized those client's as Low Risk Client's who make payment on time and take delivery of shares, who follow all the norms established by the Stock Exchanges time to time, doing large activity in the dormant accounts, trading on regular basis on illiquid scrips in large volume and quantity.*

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CLIENTS OF SPECIAL CATEGORY

Bhubaneswar Stock Exchange Ltd. will always identify clients of special category which includes NRI, High Net-worth Clients, Trusts, Charities, Non-Government Organization, Companies having close family shareholdings, politically exposed persons, Companies offering Foreign Exchange Currency, Client's residing in high risk countries or countries active in narcotics productions etc., non face to face clients and clients with dubious reputation as per public information available. High level client due diligence will undertaken for CSC.

SUSPICIOUS TRANSACTION IDENTIFICATION AND REPORTING

"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 proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- appears to be made in circumstances of unusual or unjustified complexity; or
- appears to have no economic rationale or bona fide purpose; or
- gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;
- Clients based in high risk jurisdiction.
- Substantial increase in business without apparent cause.
- Transactions reflect likely market manipulations.
- Sudden activity in dormant accounts.

REPORTING OF THE SUSPICIOUS TRANSACTIONS

The Principal Officer shall report the nature, amount, date and all related details of any and all the suspicious transactions recorded to the Director, Financial Intelligence Unit – India situated at New Delhi as per the format enclosed for the reporting.

RECORD KEEPING

Bhubaneswar Stock Exchange Ltd. will comply with all requirements of record keeping under SEBI Act, 1992, Rules and Regulations made under PMLA as well as other legislations, Rules and Regulations, Stock Exchange's Bye-laws and Circulars. More specifically Bhubaneswar Stock Exchange Ltd. will maintain records of all the transactions prescribed under Rules 3 of PML Rules.

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EMPLOYEES' TRAINING AND INVESTORS' EDUCATION

Bhubaneswar Stock Exchange Ltd. has the policy for the ongoing training of the employees of Bhubaneswar Stock Exchange Ltd. covering the frontline staff, back office staff, compliance staff, risk management staff and staffs dealing with the new clients. The Company also takes care that all the concerned staff are well equipped with the objectives, obligations and requirements of the act and risk involved in it. The Principal Officer and the Compliance Officer are the key persons to educate the above mentioned staffs of Bhubaneswar Stock Exchange Ltd.

CLIENTS/AUTHORIZED PERSON EDUCATION

It is very important for our organization to impart education to our investors as well and also to get certain information from investors which includes documents evidencing source of funds/income tax/bank records etc. Therefore, training programmes are also organized for the investors.

The policies and procedures as mentioned above shall not be final as it may adopt additional measures to safeguard its interest with respect to the activities associated with PMLA.
