

Prevention of Money Laundering Act 2002 (PMLA)

It has been our endeavor to educate and spread awareness among our esteem clients about the developments in the securities market. In this connection, we wish to inform you that due to the tightened security and increased vigilance in the wake of threats emanating from increasing terrorism, any failure on our part to discharge our duties cast on us under the applicable laws or we becoming an instrumental or a part of the chain in certain transaction, even if unknowingly or ignorantly, may land us in trouble.

The government of India has enacted a law called **Prevention of Money Laundering Act 2002 (PMLA)**.

- The purpose of this act is to :
 1. Prevent the financing of terrorism
 2. Prevent laundering of money
(i.e. to prevent legalize or officialize or canalize the money generated from illegal activities like drug trafficking, organized crimes, hawala rackets and other serious crimes)
- Money Laundering (ML) is an attempt to conceal or disguise the nature, location, source, ownership or control of illegally obtained money
- This act is a part of the Global measures being taken by all the countries under the initiatives of UN agencies.
- Securities & Exchange Board of India (SEBI) vide circular no. ISD/CIR/RR/AML/1/06 dated January 18, 2006 has laid down Broad Guidelines on Anti Money Laundering Standards and all the intermediaries registered with SEBI under Section 12 of the SEBI Act are required to adopt proper policy framework on anti-money laundering measures. Thus, it is applicable to all SEBI Registered Brokers / Sub-brokers and other financial institutions who are dealing in any kind of financial assets.
- The objective is to have in place adequate policies, practices and procedures that promote ethical and professional standards and prevent the Company from being used, intentionally or unintentionally, by criminal elements.
- It is an obligation of the entities to whom this Act is applicable, to report certain kind of transactions routed through them to FINANCIAL INTELLIGENCE UNIT (FIU), a department specially set up to administer this Act under the Ministry of Finance.
- The transactions which are supposed to be reported are cash transactions above Rs. Ten lacs or series of cash transactions below Rs. Ten lacs but aggregating to above Rs. Ten lac in a month or its equivalent in any foreign currency and the transactions which may not be in cash but are suspicious in nature.
- Any such above types of transactions, though not executed but attempted & failed are also required to be reported.
- The suspicious transaction can be related to the transactions under the circumstances such as;
 - ◆ Clients whose identity verification seems difficult or clients that 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 based in high risk jurisdictions;
 - ◆ Substantial increases in business without apparent cause;
 - ◆ Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;

- ◆ Attempted transfer of investment proceeds to apparently unrelated third parties;
- ◆ Businesses undertaken by offshore banks/financial services,
- ◆ Businesses reported to be in the nature of export/import of small items.
- ◆ Unusual transactions by Clients of Special Categories (CSCs).

➤ Clients of Special Categories (CSC's) may include;

<ul style="list-style-type: none"> ◆ NRI and High Net worth Individual ◆ Trust and Charities ◆ NGO / Organizations receiving donations ◆ Companies having close family shareholdings or beneficial ownership 	<ul style="list-style-type: none"> ◆ Politically Exposed Persons ◆ Companies offering foreign exchange offerings ◆ Clients in high risk countries ◆ Clients with dubious reputation as per public information available.
--	--

- No trading or Demat account can be opened in the name of entity whose name is listed on the banned entity list being maintained at United Nation's website at <http://www.un.org/sc/committees/1267/consolist.shtml>.
- No trading or Demat account can be opened in the name of entity whose name is covered on the website at <http://www.watchoutinvestors.com>
- No trading account can be opened in the name of or on behalf of SEBI banned/suspended individuals /organizations other entities, etc. as covered under SEBI Orders on the website at <http://www.sebi.gov.in>
- No trading account or Demat account should be opened in anonymous or fictitious / benami name(s) and where it is not possible to ascertain the identity of the customer.
- No trading account or Demat account should be opened if appropriate due diligence measures cannot be applied to a customer for want of complete, verifiable and genuine documents.
- No trading account or Demat account should be opened on account of non co-operation of the customer or non- reliability of data/information furnished to SATCO.
- While opening the new accounts all the prescribed procedures of KYC and Client Identifications should strictly be followed in the context of ensuring the compliance under this act.
- All the records of transactions and client identifications must be preserved in a manner which can be promptly retrieved and reported to the authorities in the specified format.
- This is the highlights of the requirements under the Act :
 - Sub-brokers / Authorised Persons / Remisers are advised to go through:
 - The SEBI's master circular at <http://www.sebi.gov.in/circulars/2010/mastercircular/MasterCircular.pdf> for detailed information and understanding and
 - the website of FIU-IND at <http://fiuindia.gov.in>
- The end clients are advised to co-operate with us by providing the additional information / documents, if asked for during the course of your dealings with us to ensure the compliance with the requirements under this Act.
- Clients need to disclose financial details/net worth along with supporting documents to ascertain their financial profile.
- As a responsible citizen, it is our statutory as well as moral duty to be vigilant and to refrain from temptation of easy monetary gains, by knowingly or unknowingly, supporting the people who are involved in the activities which are endangering our freedom and causing damage to the nation and to us as well.