

**PROCEDURES TO BE FOLLOWED FOR  
IMPLEMENTATION OF PROVISIONS OF  
PREVENTION OF MONEY LAUNDERING  
ACT, 2002 AND RULES FRAMED  
THEREUNDER.**



**Member : BSE Ltd., Mumbai**

**Member : The National Stock Exchange of India**

**Member : Metropolitan Stock Exchange**

**Depository Participant: NSDL**

**SVS Securities Pvt. Ltd.**

32-33-33-34-35A/B, Khatau Building, Alkesh Dinesh Modi Marg, Fort, Mumbai - 400 001  
022-40462101-139, 022-22664911 Fax: 22662384 Email [mail@svssec.com](mailto:mail@svssec.com)  
[www.svssec.com](http://www.svssec.com)

**THE PREVENTION OF MONEY LAUNDERING ACT (PMLA) POLICY (updated  
during June 2021 in accordance with the original PMLA Policy) /  
ANTI MONEY LAUNDERING PROCEDURES**

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.

SVS Securities Pvt. Ltd. has designed this policy of PMLA and effective AML program to prohibit and actively prevent the money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities or flow of illegal money or hiding money to avoid paying taxes.

**PART A: POLICY FOR ACCEPTANCE OF CLIENTS:**

1. The Policy for acceptance of clients is based on the perceived risk and is in accordance with the requirements of the Prevention of Money Laundering Act 2002 and the guidelines issued by RBI and SEBI from time to time. The basic principle enshrined in the aforementioned approach is that the client due diligence measures on a risk sensitive basis, i.e., an enhanced client due diligence for high-risk categories of customers and conversely, a simplified client due diligence process for lower risk categories of customers. In order to achieve this, all clients should be classified in the following category; Low, Medium & High.
2. The process followed by the KYC department is summarized as follows, first the KYC department will screen the client in the AML software various database would be checked to identify the credentials of the client.

Based on the occupation of the clients the clients would be categorized High/Low and Medium. All special category clients would be categorized as High Risk Clients. Clients with Income from Agriculture and if Retired person deals in futures and options that are categorized as High Risk. Housewife dealing in futures will be categorized as medium risk. Students would be initially on boarding are categorized as low. This process is done on continuous basis in conjunction will trading volumes as the risk categorization is updated accordingly.

3. Factors of risk perception (in terms of monitoring suspicious transactions) of the client shall be clearly defined having regard to

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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. These parameters shall be used for classification of clients into low, medium and high risk.

4. Account shall not be opened:
  - If it not possible to ascertain the identity of the client.
  - If information provided is suspected to be non-genuine, perceived noncooperation of the client in providing full and complete information.
5. If the account to be activated is with a name that is very close to any other established business entity and if the prospective client claims to have no relationship with the other entity, then a self-declaration stating the same shall be taken from the prospective client
6. Clients with dubious reputation in public domain will not be opened. The same list will be tallied with the list of people who are barred from dealing / trading as mentioned on the NSE / BSE / SEBI WEBSITES.

A Self declaration to be taken from the client that he / they are not barred from dealing by any regulatory authority. Location places like J&K would entail medium risk. Manner of making payments for transactions like Third party cheques or demand drafts should not be allowed.

7. No account will be opened in a fictitious / benami name or on an anonymous basis.
8. 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/delisting.shtml> <http://www.un.org/sc/committees/dfp.shtml> & also as published on SEBI website & Exchange Websites. We have Back office Software where Banned entity downloaded from NSE site is updated on regular basis and compared with our master.

#### **PART B: CLIENTS IDENTIFICATION PROCEDURE:**

1. The documentation requirements and other information required should be as per SEBI/Exchange guidelines for different classes of clients. On the basis of the perceived risk and after having regard to the requirements of the Prevention of Money Laundering Act 2002 and the guidelines issued by RBI and

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SEBI from time to time the process for registration to be carried out.

2. Identification procedure is to be carried out at the following 3 stages:

- While establishing the intermediary – client relationship;
- While carrying out transactions for the client;
- When there are doubts regarding the veracity or the adequacy of previously obtained client identification data.

3. Documentation Requirements (as prescribed by rule 9 of the Prevention of Money Laundering Rules, 2005):

- Where the client is an individual, he shall submit one certified copy of an officially valid document containing details of his permanent address or addresses, current address or addresses, and one copy of his recent photograph and such other documents including in respect of the nature of business and financial status of the client as may be required verifying the identity of the client.
- Where the client is a company, it shall submit, certified copies of the following documents:
  - Certificate of incorporation;
  - Memorandum and Articles of Association;
  - Proof of identity and address of all directors
  - A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; and
  - An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.
- Where the client is a partnership firm / LLP, it shall submit certified copies of the following documents:
  - Registration certificate;
  - Proof of identity and address of all partners
  - Partnership deed; and
  - An officially valid document in respect of the person holding an attorney to transact on its behalf.
- Where the client is a trust, it shall, submit to the banking company, or the financial institution, or the intermediary three certified copies of the following documents:
  - Registration certificate;
  - Trust deed; and
  - An officially valid document in respect of the person holding an attorney to transact on its behalf.

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- Where the client is an unincorporated association or a body of individuals, it shall submit copies of the following documents:
  - Resolution of the managing body of such association or body of individuals;
  - Power of attorney granted to him to transact on its behalf;
  - An officially valid document in respect of the person holding an attorney to transact on its behalf; and
  - Such information as may be required to establish the legal existence of such an association or body of individuals.

4. Sufficient information shall be obtained in order to identify persons who beneficially own or control securities account. If it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures.

5. Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the Principal Officer.

6. Conduct of an ongoing due diligence and scrutiny of the transactions and client's account, throughout the course of the business relationship shall be done to ensure that the transactions being conducted are consistent with the client's business and risk profile, taking into account, where necessary, the customer's source of funds.

7. The end clients should be 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 requirements under this Act. Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the higher authority / Principal Officer.

#### **PART C: IDENTIFICATION PROCEDURE OF BENEFICIAL OWNERSHIP:**

As per SEBI Circular No. CIR/MIRSD/2/2013 dated on January 24, 2013, the uniform approach towards determination of beneficial ownership is as follows:

❖ **For clients other than individuals or trusts:**

1. Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, the beneficial owners of the client shall be identified and reasonable measures shall be taken to verify the identity of such persons, through the following information:

a. The identity of the natural person, who, whether acting alone or

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together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

Explanation: Controlling ownership interest means ownership of/entitlement to:

- i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
  - ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
  - iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.
- b. In cases where there exists doubt under clause (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

- c. Where no natural person is identified under clauses (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official.

➤ **For client which is a trust:**

Where the client is a trust, the beneficial owners of the client shall be identify and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership

➤ **Exemption in case of listed companies:**

Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies

➤ **Applicability for foreign investors:**

Company dealing with foreign investors' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided

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by the clarifications issued vide SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012, for the purpose of identification of beneficial ownership of the client.

#### **PART D: IDENTIFICATION OF CLIENTS OF SPECIAL CATEGORY (CSC):**

##### **Clients of Special Categories (CSC) may include:**

- 1 NRI / HNI\* / Trust / Charities / NGO / Organizations receiving donations
- 2 Companies having close family shareholdings or beneficial ownership.
- 3 Politically Exposed Persons
- 4 Companies offering foreign exchange offerings
- 5 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 centre, tax havens, countries where fraud is highly prevalent.
- 6 Non face to face clients
- 7 Clients with dubious reputations as per public information available.

If a client falls into any of the above categories the client should be marked as a CSC, and the risk level immediately should be allocated as “High”.

\* *HNI is a client having annual income more than 2 crores*

#### **PART E: RECORD KEEPING:**

1. All necessary records of transactions (namely financial statements, DP Account statements, Contract Notes, Statement of Securities etc) are maintained for the minimum period prescribed under the relevant Act (PMLA 2002, as well as SEBI Act 1992) and other legislations, Regulations or exchange bye-laws or circulars & further modified as per NSE circular Ref No. 924/2014 dated 13.03.2014.
2. Records 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 are also maintain for the said period.

#### **PART F: RETENTION OF RECORDS:**

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The Company maintains and preserve records and information for the period as prescribed under relevant act and rules in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities, and, in case of ongoing investigations or transactions which have been the subject of STR, they shall be retained until it is confirmed that the case has been closed.

## **PART G: SUSPICIOUS TRANSACTIONS – MONITORING & REPORTING:**

### **1. MONITORING TRANSACTIONS**

- Trading limits shall be assigned to all the clients in the trading software as per risk management.
- Volume of Trade to be correlated with the client's net worth or income level: If the volume of trade is inconsistent with the client's financial background, explanation should be sought from the client for the same. Failure by client to provide satisfactory explanation should be noted and reported to the Principal Officer.
- If there are large numbers of accounts having a common account holder, introducer or authorized signatory, explanation for the same shall be sought from the beneficial owner. If the client receives off market transfer from unrelated people or if shares given as loans are not reversed then those could be marked as high risk. If the client is not able to satisfactorily explain the rationale for the same, the fact shall be reported to the Principal Officer.
- RMS department should monitor the trading activity of the client and exercise due diligence to ensure that the trading activity of the client is not disproportionate to the financial status and the track record of the client. Transaction monitoring is an extremely important aspect of the risk profiling system. Whenever the RMS Team sees that a client is doing or having an unusual or a suspicious trading pattern also from the same dashboard sees the income and net worth of the client along with risk level and the special category if any one of the scenarios, then he or she could immediately upgrade the risk of the client from Low to medium or from medium to high or even very high. This risk allocation will happen through the alerts dashboard of the AML system immediately and the RMS team member does not need any approval to do so for monitoring of the trades we are using TSS software where scanning is done as per FIU circular No.9-6/AG-II/2012/FIU-IND dated 11th March, 2016 as many as 22 criteria are scanned for any alerts.
- Payments department should ensure that payment received from the client is being received in time and through the bank account the details

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of which are given by the client in KYC form and the payment through cash / bearer demand drafts should not be entertained. If so, the banker cheque/ demand draft/ pay order should be accompanied with the name of bank account holder and the bank account number debited, duly certified by issuing bank.

- Trades done by senior Citizens, Housewife over a threshold limit (Threshold limit decide that 1 crore turnover in a single day and it is done on repeated basis) or inconsistent with the occupation or Income level should be marked with medium risk.
  - If the client mentions the occupation as student or house wife and trades in derivatives over the threshold limits, or brings money cumulatively for a given period over the threshold limits then based on number it could be medium or high.
  - If the client is above the age of 70 and there is turnover in derivatives above threshold value then client could be marked as medium or high based on the numbers.
  - If a client deals in only one script, he may dematerialize and sell the same and the variation of the price in that stock is more than 300% in last one year then that should be categorized as medium risk customer.
- Following transactions shall be closely monitored:
  - Substantial increases in business without apparent cause.
  - Unexplained transfers between multiple accounts with no rationale.
  - Sudden activity in dormant accounts.
  - Activity inconsistent with what would be expected from declared business.
  - Clients based in high risk jurisdictions.
  - Unusual transactions by Clients of Special Categories (CSCs)
  - Sources of funds are doubtful or inconsistency in payment pattern.
- **Dealing with Politically Exposed Clients (PEP)**
  - In case we have reasons to believe that any of our existing / potential customer is a politically exposed person (PEP) we must exercise due diligence, to ascertain whether the customer is a politically exposed person (PEP), which would include seeking

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additional information from clients and accessing publicly available information etc.

- The dealing staff must obtain senior management`s prior approval for establishing business relationships with Politically Exposed Persons. In case an existing customer is subsequently found to be, or subsequently becomes a PEP, dealing staff must obtain senior management`s approval to continue the business relationship.
- We must take reasonable measures to verify source of funds of clients identified as PEP.
- If it is established/ realized, while carrying out transaction for the client or at a later stage, that the client has a suspicious background or links with known criminals or is banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide; his / her transactions will be closely monitored.

## **2. REPORTING SUSPICIOUS TRANSACTIONS:**

### **Procedure to be followed on identification of Suspicious Transaction:**

The Principal Officer shall analyze the transactions that are reported to him and on identifying any suspicious transaction; he shall record the reasons for arriving at such a conclusion and intimate the same to the Financial Intelligence Unit, India (FIU-IND), within 7 working days of establishment of suspicion at the level of Principal Officer. However there would be continuity in dealing with the client, as normal, until told otherwise by the FIU authorities and the client would not be informed about his / her transactions being reported to the authorities.

### **PART H: APPOINTMENT OF PRINCIPAL OFFICER:**

**Mr. Sanjay V. Shah** has been appointed as Principal Officer of the organization in compliance with provisions as envisaged under the Anti Money Laundering Act, 2002 & written policy is maintained by the organization & the regular implementation thereof is monitored through Employee / Client trainings on a regular basis. As required under the Act, the Principal Officer analyzes the transactions that are reported to him and on identifying any suspicious transaction; the Principal Officer records the reasons for arriving at such a conclusion & in case finds anything suspicious ask the compliance team to upload the details to FIU.

### **APPOINTMENT OF DESIGNATED DIRECTOR:**

As per SEBI circular No. CIR/MIRSD/1/2014 dated March 12, 2014, we have

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appointed Mr. Subhash V. Shah as designated director of SVS Securities Pvt. Ltd. & SVS Commodity Brokers Pvt. Ltd. and inform to FIU-IND.

**PART I: HIRING / EMPLOYEES TRAINING / INVESTOR EDUCATION:**

**1. HIRING:**

We do adequate screening procedures while hiring employees and also ensure that the employees dealing with PMLA requirements are suitable and competent to perform their duties.

**2. EMPLOYEES TRAINING:**

We have ongoing training program conducted by our Principal Officer and Senior Management, Participation of all the key Employees in the seminars conducted by various Regulatory bodies from time to time, so that the members of the staff are adequately trained in AML and CFT procedures. Also all the circulars issued by various Regulatory bodies including that of PMLA, are circulated to all the staff members and the same are also being discussed in length, in the Training Program. Training Program has special emphasis on frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients.

**3. INVESTOR EDUCATION:**

Implementation of AML/CFT measures requires us to demand certain information from investor which may be of personal nature or which has hitherto never been called for. Such information can include documents evidencing source of funds/ income tax returns/ bank records etc. This can sometimes lead to raising of questions by the customer with regard to the motive and purpose of collecting such information. There is, therefore, a need to sensitize customers about these requirements as the ones emanating from AML and CFT framework.

It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

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