

POLICY FOR PREVENTION OF MONEY LAUNDERING

Date ,March 14 , 2024

Policy Control

A. Policy Custodian:

Division : Compliance

In-Charge: Ms. Swati Savla, COMPLIANCE OFFICER

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1. INTRODUCTION OF COMPANY:

Quantum Information Services Private Limited, a private limited company bearing CIN: U65990MH1989PTC054667 is registered with the Securities and Exchange Board of India (SEBI) as an independent Investment Adviser in terms of SEBI (Investment Advisers) Regulations 2013. It additionally provides research analysts services in terms of SEBI (Research Analysts) Regulations, 2014 and is a registered Mutual Fund Distributor with (AMFI) Association of Mutual Funds in India.

Quantum Information Services has a service brand named as PersonalFN. PersonalFN is India's first and leading personal finance website. It is focused on providing financial planning to individuals and mutual fund research solutions and generalized recommendation services to its subscribers through its website www.PersonalFN.com.

For over 20 years, PersonalFN has educated investors and established a reputation as a community where difficult financial concepts and concerns are explained in easy to understand language.

Over the past 20 years, lakhs of followers and readers across the world have benefitted from our range of content on a wide range of subjects such as mutual funds, asset allocation, insurance, home loans, and tax planning. The aim has been to deliver honest and unbiased opinions and solutions - to solve financial problems - and choices that confront investors every day.

2. INTRODUCTION OF THE PREVENTION OF MONEY LAUNDERING ACT, 2002:

India adopted the Prevention of Money Laundering Act, 2002 (PMLA or the Act) with effect from July 1, 2005 which provides for Anti-money Laundering and Anti-terrorist Financing measures to be taken in India and the rules framed there under provide guidance on the practical implementation of the provisions laid down in the Act.

India adopted the Prevention of Money Laundering Act, 2002 (PMLA or the Act) with effect from July 1, 2005 (which provides for Anti-money Laundering and Anti-terrorist Financing measures to be taken in India) and the rules framed there under (Rules) provide guidance on the practical implementation of the provisions laid down in the Act.

Further, circulars have been issued by the Securities Exchange Board of India (SEBI) from time to time (collectively referred to herein as SEBI Guidelines) setting out the requirements / obligations to be fulfilled by the SEBI registered intermediaries. SEBI vide its Master Circular dated October 15, 2019 mandated registered intermediaries to ensure compliance with the Act and the Rules including adherence to client opening procedures and maintenance of records of such transactions as prescribed under the Act and Rules.

Besides, SEBI has issued circulars on the operationalization of Central KYC Records Registry (CKYC) dated July 21, 2016 and clarification on KYC Process and use of technology for KYC dated April 24, 2020 with respect to account opening of clients. These circulars are presently applicable inter alia to stockbrokers, depositories, mutual funds, portfolio managers, custodians, collective investment schemes, investment advisers etc.

Further, SEBI has in the Master Circular 2019 also acknowledged the fact that a 'one-size-fits-all' approach may not be appropriate for the securities industry in India, and therefore, each registered intermediary should consider the specific nature of its business, organizational structure, type of clients and transactions, etc. when implementing the suggested measures and procedures to ensure that they are effectively applied.

3. APPLICABILITY AND SCOPE:

The Act is applicable to the whole of India to prevent money laundering activities and specifically imposes an obligation on banking companies, financial institutions, and intermediaries associated with the securities market and registered with the Securities and Exchange Board of India (SEBI) under section 12 of SEBI Act, 1992.

Investment Advisers are covered in the category of intermediaries under section 12 of SEBI Act, 1992, and hence the provisions of PMLA are also applicable to all the SEBI Registered Investment Advisers.

QIS provides the following types of services to its clients:

1. Financial planning services on a one time basis against a flat fee
2. Non-discretionary Financial planning/advisory services over a one year period or so against an AUM based fee involving a quarterly review and advise on the clients portfolio;
3. Generalised subscription based mutual fund research services and

In addition to the above QIS is also an AMFI registered mutual fund distributor and operates in compliance with the applicable SEBI Regulations.

Given the type of services rendered by QIS it may not have an account-based relationship with its clients in respect of most of or all of its services.

However, there are other provisions of the Rules that apply to QIS even though it may not have account based relationship with its clients.

QIS shall follow all the anti-money laundering procedures (**Annexure I**) including client acceptance policy, client identification procedure, and suspicious transactions reporting in the event it engages in account based relationships with its clients or where it is otherwise required to follow the the whole or part of these procedures as may be applicable to it.

4. PURPOSE:

In view of the aforesaid applicability of the provisions of the Act to QIS, this Anti-Money Laundering Policy has been adopted by QIS to the extent cohesive with its functions and operations to ensure that QIS is always in compliance of the applicable provisions of the Act, Rules and SEBI Guidelines.

5. ANTI-MONEY LAUNDERING PROGRAM:

Meaning of 'Money Laundering':

Money Laundering is processing of criminal proceeds to disguise their illegal origin. It is a process by which persons knowingly or unknowingly indulge or attempt to indulge in the following processes or activities with respect to the proceeds of crime:

- a. Concealment; or b. Possession; or c. Acquisition; or d. Use; or e. Projecting as untainted property; or f. Claiming as untainted property.

Stages of money laundering:

Placement is the initial stage in which money from criminal activities is placed in financial institutions. One of the most common methods of placement is structuring- breaking up currency transactions into portions that fall below the reporting threshold for the specific purpose of avoiding reporting or recordkeeping requirements.

Layering is the process of conducting a complex series of financial transactions, with the purpose of hiding the origin of money from criminal activity and hindering any attempt to trace the funds. This stage can consist of multiple securities trades, purchases of financial products such as life insurance or annuities, cash transfers, currency exchanges, or purchases of legitimate businesses.

Integration is the final stage in the re-injection of the laundered proceeds back into the economy in such a way that they re-enter the financial system as normal business funds. Banks and financial intermediaries are vulnerable from the Money Laundering point of view since criminal proceeds can enter banks in the form of large cash deposits.

The laundered proceeds re-enter the financial system appearing to be normal business funds and market intermediaries may unwittingly get exposed to a potential criminal activity while undertaking such normal business transactions.

Objective of AML Program:

In order to ensure that PersonalFN is not utilized intentionally or unintentionally for carrying out money laundering activities, it is essential to have in place an AML Program setting out adequate policy, practice, and procedure that helps in preventing money-laundering activities.

The AML Program comprises the following activities to be performed by PersonalFN:

- a. Adoption of written procedures setting out the process of client due diligence (CDD).

However, the process of CDD comprising (i) Policy for acceptance of clients; (ii) Procedure for identifying the clients; and (iii) Transaction monitoring and reporting especially Suspicious Transaction Reporting shall be adhered by PersonalFN as and when it engages in account based relationship with the client, or deals with clients' funds or securities.

- b. Appointment of Principal Officer and Designated Director;

- c. Recordkeeping & retention of records;

- d. Co-operating with law enforcement agencies in their efforts to trace the money laundering transactions and persons involved in such activities;

- e. On-going training to the employees to ensure strict adherence to CDD requirements; and

- f. Submission of reports to Financial Intelligence Unit-India (FIU-IND) in the prescribed formats of CTR, STR, and NTR as and when such reporting arises.

The process of CDD is covered in a separate document which is by reference included in this Policy (See Annexure I – Anti-money laundering procedures) and amendments or modifications to the said procedure will be carried out by the Designated Director and ratified by the Board of Directors at its annual review.

6. APPOINTMENT OF PRINCIPAL OFFICER & DESIGNATED DIRECTOR:

The Board of Directors of the Company shall be the competent authority for identifying and appointing the Principal Officer per the provisions of the Act.

The details of the appointment including the name, designation, and address of the Principal Officer will be intimated to FIU-IND immediately upon appointment. Similarly, any changes to the aforesaid details of the Principal Officer will be intimated to FIU-IND immediately.

Principal Officer will be responsible to ensure that:

- a. The PMLA Guidelines and the Anti-Money Laundering Policy provisions are implemented effectively by PersonalFN.
- b. The identification and assessment of potentially suspicious transactions, if any, are done on regular basis.
- c. PersonalFN reports the suspicious transactions, if any, to the authorities concerned within the specific time as per the provisions of the Act.
- d. PersonalFN is regularly updated regarding any changes/ additions/ modifications in provisions of the Act obtained through circulars etc.
- e. PersonalFN responds promptly to any request for information, including KYC related information, if applicable to the regulators, FIU-IND, and other statutory authorities.
- f. Any other responsibilities assigned by the Board of Directors or any other official authorized by the Board of Directors with respect to the implementation of the PMLA guidelines issued by SEBI from time to time.

Additionally, PersonalFN shall also designate an official as 'Designated Director'. The Designated Director will ensure overall compliance with the obligations imposed under Chapter IV of the Act and the PMLA rules to the extent applicable to PersonalFN.

PersonalFN shall also communicate details of the Designated Director, such as name, designation, and address including any changes therein to the FIU-IND immediately upon appointment.

7. RECORD KEEPING:

PersonalFN shall maintain information of all the transactions entered into by it including:

- a. All cash transactions greater than INR 10.00 lakhs or its equivalent in foreign currency.
- b. All series of cash transactions integrally connected to each other which have been individually valued below INR 10.00 lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of INR 10.00 lakhs or its equivalent in foreign currency;
- c. All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
- d. All suspicious transactions whether or not made in cash and including inter-alia, credits or debits from any non-monetary account such as Demat account, security account maintained by PersonalFN.

Further, PersonalFN shall also maintain and preserve the following information in respect of the transactions referred to in paragraph 7(a) to 7(c) above:

- 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.

Further to the extent the aforesaid information is cohesive with the functions and operations of PersonalFN and is available with it and shall be maintained for a minimum period of 5 years or such alternate duration as would be prescribed by any statutory or regulatory authority from time to time. However, PersonalFN does not accept cash payments from clients for any type of transaction. In case of payment received by the Company in cash, it shall be refunded within seven working days from the date of receiving the client details for a refund.

8. RETENTION OF RECORDS:

PersonalFN has established a mechanism for proper maintenance and preservation of records and information arising out of its functions and operation so as to allow easy and quick retrieval of data as and when requested by the competent authorities. For this purpose:

- a. All the records and information of PersonalFN will be maintained on its servers, and only authorized personnel shall have access to them.
- b. PersonalFN shall maintain and preserve for a minimum period of 5 years information with respect to the identity of its clients like passports, identity cards, driving licenses, and beneficial owners as well as account files and business correspondence subject to PersonalFN engaging in account opening activities or dealing with client's funds or securities.

The said period of five years shall commence either after the business relationship with the client has ended or the account has been closed, whichever is later.

- c. Information where the records relate to on-going investigations or transactions which have been the subject of suspicious transaction reporting, shall be retained until it is confirmed that the case has been closed.
- d. PersonalFN shall maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, for a period of 5 years from the date of the transaction between the client and the intermediary.
- e. Subject to PersonalFN engaging in the process of account opening of the client or obtaining a registered power of attorney or being subjected to any enquiry with respect to any ongoing investigation or shall maintain and preserve all relevant documents like account opening forms and their supporting documents and all instructions for operating the account given by the client or its duly registered power of attorney for a minimum period of 5 years after the account is closed.

The said retention period shall be modified on receiving appropriate instructions from any regulatory authority like SEBI, FIU-IND, or any other statutory authority.

SEBI Master Circular casts an obligation on registered intermediaries to maintain records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for the prosecution of criminal behaviour.

To enable the reconstruction of information or financial profile of any suspect account for purposes specified under the Act, PersonalFN shall retain the following information for the accounts of their subscribers from which it receives funds in order to maintain a satisfactory audit trail:

- a. The beneficial owner of the account;
- b. The volume of the funds flowing through the account; and

c. For selected transactions:

1. The origin of the funds;
2. The form in which the funds were offered e.g. cheques, demand drafts, etc.;
3. The identity of the person undertaking the transaction;
4. The destination of the funds; and
5. The form of instruction and authority.

The aforesaid information shall be retained for a minimum period of 5 years and the said retention period shall be modified on receiving appropriate instructions from any regulatory authority like SEBI, FIU-IND or any other statutory authority.

9. SUSPICIOUS TRANSACTION MONITORING AND REPORTING IN PARTICULAR CIRCUMSTANCES:

QIS shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, QIS shall be guided by the definition of a suspicious transaction contained in Rules as amended from time to time and guidelines if any issued by FIU.

For details of how QIS may identify suspicious transactions refer to the “reporting of suspicious transactions” section in Annexure I.

Any suspicious transaction observed by any employee of QIS shall be immediately notified to the Principal Officer. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall not be told of the report/ suspicion. In exceptional circumstances, consent may not be given to continue the contractual obligation, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken. The Principal Officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

It is likely that in some cases transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. QIS shall report all such attempted transactions in STRs, even if not completed by clients.

The Policy categorizes clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as ‘CSC’. Such clients shall also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.

10. REVIEW OF OPERATIONS:

The conduct of operations per the prescribed regulations including and subject to PersonalFN engaging in onboarding of clients, maintenance of records, and monitoring of transactions shall be carried out as and when the same is determined necessary. The involvement of external auditors for this process shall also be considered if the same is deemed necessary.

11. HIRING / EMPLOYEES TRAINING / INVESTOR EDUCATION / SYSTEM SUPPORT:

Hiring: PersonalFN shall follow adequate screening procedures while hiring employees and also ensure that the employees dealing with the implementation of the provisions of the Act and rules framed thereunder or SEBI guidelines requirements are suitable and competent to perform their duties.

Employees Training: All employees must be made aware of the existence of this Policy. The requirements of the Policy should be explained to all employees through training or related methods. PersonalFN shall have an ongoing training program conducted by its Principal Officer and Senior Management. All the key employees shall actively participate in the seminars conducted by the Principal Officer and Senior Management from time to time, so that the members of the staff are adequately trained in AML (Anti-Money Laundering) /CFT (Combating Financing of Terrorism) procedures.

Also, all the circulars issued by various Regulatory bodies including that of PMLA shall be circulated to all the staff members and the same shall also be discussed at length, in the Training Program. Training Program will have a special emphasis on frontline staff, back-office staff, compliance staff, risk management staff, and staff dealing with new subscribers.

Investor Education: Implementation of AML/CFT measures requires us to demand certain information from subscribers 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 the raising of questions by the subscriber with regard to the motive and purpose of collecting such information. There is, therefore, a need to sensitize subscribers about these requirements as the ones emanating from AML and CFT framework. PersonalFN may to the extent required prepare specific literature/pamphlets etc. so as to educate the subscribers of the objectives of the AML/CFT programme.

PersonalFN shall also ensure that necessary disclaimers with respect to compliance with the provisions of the Act and the Rules made thereunder are published on its website and set out in the relevant communications sent to the subscribers as may be determined by the Board of Directors.

12. REGISTRATION WITH THE FINANCIAL INTELLIGENCE UNIT-INDIA:

PersonalFN shall obtain requisite registration with the Financial Intelligence Unit-India and comply with such requirements as applicable to it or directed by the FIU-IND subject to the same being cohesive with the functions and operations of PersonalFN.

13. AMENDMENTS AND MODIFICATIONS:

Any modifications, additions, or changes to this Policy will be in accordance with any amendments to the Act, PMLA Rules, SEBI Master Circular, and guidelines or regulations or rules issued by the regulatory authorities and shall be immediately effective from the date of the said amendments, changes or modifications subject to the same being applicable to PersonalFN.

In case any amendments, clarifications, circulars, and guidelines issued by the Securities and Exchange Board of India/Stock Exchanges, not being consistent with the provisions laid down under this Policy, then the provisions of such amendments, clarifications, circulars, and the guidelines shall prevail upon the provisions contained in this Policy and the same shall stand amended accordingly effective from the date as laid down under such amendments, clarifications, circulars, and guidelines.

Any additional modification to Annexure I of this Policy shall be carried out by the Board of Directors or person authorized by the Board. The modified version will be circulated to the employees of PersonalFN for their information and observing compliance with the same.

14. DISCIPLINARY ACTION:

A violation of standards, procedures, or guidelines established pursuant to this Policy shall be presented to the Compliance Officer for appropriate action and could result in disciplinary action, including expulsion, dismissal, and/or legal prosecution.

15. REVIEW:

This Policy shall be reviewed on an annual basis with regard to testing its adequacy to meet the compliance requirements of the Act and relevant circulars issued by any regulatory or statutory body.

16. ACKNOWLEDGEMENT:

Employees are responsible for reading, understanding, and complying with this Policy, including the supplement or any amendments, modifications made to it from time to time. A copy of the Policy will be provided to all the employees of the Company. They must sign and return the acknowledgment form prescribed at Annexure II (Acknowledgement with the procedures set out under Anti-Money Laundering Policy) to the Company as a token of acceptance of the Policy.

Annexure I

(Anti-money laundering procedures)

PersonalFN being a registered Investment Adviser deals with the client for advising in mutual funds wherein the clients are on boarded as per the SEBI Investment Advisers Regulations, 2013 i.e. signing an agreement with clients followed by KYC of clients which include registering of clients at CKYC Registry portal if they are not registered. In the event if PersonalFN is engaged in account opening activities or in maintaining or dealing with the funds or securities of the client on behalf of the client for which purposes it is required to identify the beneficial owner then it shall adhere to the anti-money laundering procedures set out in this Annexure I.

The anti-money laundering procedures for conducting Client Due Diligence have been divided into 3 sections, namely:

1. Section A: Setting out the client acceptance policy;
2. Section B: Setting out the client identification procedure; and
3. Section C: Setting out the meaning of STR and reporting requirements.

The objective of conducting client due diligence is to identify persons who beneficially own or control the securities account or to identify beneficial ownership and control i.e. determine which individual ultimately own(s) or control(s) the client and /or the person on whose behalf a transaction is conducted.

Every employee is expected to adhere to these anti-money laundering procedures at all times, as and when applicable, and any deviation or variation from the same shall be considered as non-compliance with the provisions of the Policy and non-compliant employee shall be subjected to disciplinary action including up to termination.

Section A: Client Acceptance Policy

The client acceptance policy aims to identify the types of clients that are likely to pose a higher than average risk of Money Laundering or Terrorist Financing. The following safeguards are to be followed while accepting the clients:

1. No account is opened in a fictitious / benami name or on an anonymous basis;
2. All KYC documentation and procedures shall be followed at the time of account opening and no account shall be opened where PersonalFN is unable to apply appropriate CDD measures/ KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, or the information provided to PersonalFN is suspected to be non-genuine or there is perceived non co-operation of the client in providing full and complete information.
3. Submission of all documents required to conduct KYC shall be pre-requisite for account opening for all clients. Incomplete applications including incomplete documentation will be rejected.
4. The authorized official/employees of PersonalFN shall personally verify the photograph of the client affixed on the Account Opening Form (AOF) and the proof of identity documents with the person concerned. A stamp of "Identity Verified In Person" must be affixed (as a proof of In Person Verification) on the AOF against the photograph of the client & on the proof of identity documents.

The authorized official of PersonalFN who has done in- person verification and verified the documents with original should also sign on the AOF and ID proof.

5. Each original document shall be seen prior to acceptance of a copy. Stamp of 'documents verified with originals' must be affixed along with the signature of the authorized person.

6. PersonalFN shall upload the KYC data with CKYCR in respect of individual accounts opened and wherever KYC is required to be carried out per the circulars issued by SEBI from time to time. Presently, the circular issued by SEBI with respect to submission of KYC documents to CKYC is applicable only to stockbrokers, depositories, depository participants, mutual funds, portfolio managers, collective investment schemes, custodians, and investment advisors.

7. In case of any discrepancy or non-provision of information by the client, PersonalFN shall seek necessary clarification from the applicant and activate the account only when the discrepancy is resolved or the deficiency is fulfilled. E.g. cases where names mentioned on the AOF and that on the PAN Card do not match etc.

8. Verify the customer's identity using reliable, independent source documents, data or information by following the procedure detailed hereunder:

The PAN Card details will be verified with the name(s) appearing on the website of the Income Tax Department <http://incometaxindiaefiling.gov.in/challan/enter>.

In case the name(s) do not match or the PAN Card details are not present in the PAN Card database, PersonalFN would seek necessary clarification from the applicant(s) and activate the account only when the discrepancy is resolved.

9. The applicant shall be required to disclose his/ her financial status and occupation details as required under the Act.

10. PersonalFN may modify the Format of Account Opening Form (AOF) to obtain the necessary information of the client in order to achieve, wherever necessary PMLA objective.

11. If the applicant has completed the KYC procedure with the Central KYC Records Registry (CKYCR) or any KYC Registration Agency (KRA) as applicable, in-person-verification will not be required.

12. The names of the applicants shall be checked against the database of names mentioned in the caution list made out in the periodic United Nations Security Council public statements so as to avoid the opening of accounts of such individuals.

13. Identify the circumstances under which the client is permitted to act on behalf of another person/entity and the documentation should clearly set out the manner of operations of the account, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details.

14. PersonalFN to ensure that the identity of the client does not match with any person having a known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency. This is facilitated by scanning the names of the clients and ultimate beneficial owners against the watch lists available.

15. If the names match with the List of Designated Individuals/ Entities as per the United Nations Security Council Resolution List then:

a. Such accounts should not be opened; and b. Suspicious Transaction Report (STR) is to be filed with FIU-IND.

16. PersonalFN 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.

Section B: Client Identification Procedure

PersonalFN shall collect sufficient information from their clients in order to identify and verify the identity of persons who beneficially own or control the securities account.

A. For identifying beneficial owners for clients other than individuals or trusts:

Where a client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, PersonalFN shall identify the beneficial owner through the following information:

(a) The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest².

(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 judicial person through other means³.

(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.

B. For identifying a beneficial owner for a client which is a trust:

Where the client is a trust, the identity of the beneficial owner shall be identified through the identity of the settlor 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.

C. 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.

Business Relationship with Politically Exposed Person (PEPs):

PersonalFN shall seek relevant information from the client, refer to publicly available information or access the commercial electronic databases of PEPs to determine whether the potential client or the beneficial owner of such client is a PEP.

1 Refer Annexure III for meaning of the term 'beneficial owner'.

2 Refer Annexure III for meaning of the term 'controlling ownership interest'.

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

Any business relationship with PEPs including their family members and close relatives can only be established with the consent of the Senior Management.

Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, senior management approval shall be obtained to continue the business relationship. PersonalFN shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.

Categorization of Clients

Clients shall be classified into low, medium, and high risk categories depending on the risk involved.

PersonalFN shall conduct enhanced due diligence for clients classified as 'High Risk Clients'. The clients of special category are classified as high risk. Following are special categories of clients (CSC) which includes

1. Non-resident clients;

2. High net-worth clients;

In respect of clients in the category of Individuals/HUF those having a net worth of over INR 10.00 Crore or holding value over INR 10.00 Crore or declared income over INR 25.00 Lakh may be reckoned as High Net Worth Individuals (HNI);

3. Trust, Charities, Non-Governmental Organizations (NGOs), and organizations receiving donations;

4. Companies having close family shareholdings or beneficial ownership;

5. Politically Exposed Persons (PEP); i.e. 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.

6. Companies offering foreign exchange offerings;

7. 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;

8. Non face to face clients;

9. Clients with dubious reputation as per public information available (SEBI Debarred) etc.; and

10. Entities in respect of whom STRs have been filed earlier.

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 to conduct the enhanced due diligence before dealing with such clients.

Clients (other than regulated institutional clients) transacting in value greater than INR 10.00 lakhs and whose financial status has not been updated or transaction value is not in tune with declared financial status are categorized as Medium Risk.

Other clients are classified under low risk based on available client information.

Risk categorization of clients may be reviewed based on changing circumstances. PersonalFN shall 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 PersonalFN's knowledge of the client, its business, and risk profile.

PersonalFN shall seek updation of documents taken from the clients annually.

Risk Assessment:

PersonalFN 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, and 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 and a list published by the Office of Foreign Assets Control. Documentation of the Risk Assessment:

The assessment shall be documented, updated regularly, and made available to competent authorities and self-regulating bodies, as and when required.

Section C: Monitoring of Transactions

Identification of Suspicious Transaction:

It has been reiterated that PersonalFN being a registered Investment Adviser is dealing only in advising clients on mutual funds and not with clients' money or securities or engages in similar activities, in the event PersonalFN is engaged in account opening activities or in maintaining or dealing with the funds of the clients on behalf of the client then it shall adhere to the following for identifying Suspicious Transactions⁴:

1. Pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.

⁴ Refer Annexure III for meaning of the term 'Suspicious Transactions'.

2. The PMLA Committee shall examine transactions / clients under alert and comment whether any suspicious transactions are carried out or not.

3. Specify internal threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits.

4. The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records, and related documents shall be made available

to auditors and also to SEBI/stock exchanges/FIU-IND/ other relevant Authorities, during audit, inspection or as and when required.

5. Randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.

While monitoring the transactions, PersonalFN may shift the clients from one category to another depending upon the risk perceived by PersonalFN.

Reporting of Suspicious Transactions (STR):

The staff of the operations department concerned shall monitor all transactions executed by clients and report to the PMLA Committee any transaction that appears to be of suspicious nature. The operations department shall handover a detailed report to the PMLA Committee comprising details such as specific reference to the clients, transaction and the nature/reason of suspicion etc.

The PMLA Committee shall analyze and examine such data and then decide if any transaction listed therein warrants a closer inspection or not. It shall maintain the records of all such data received from depositories and record the action taken thereon.

In case the PMLA Committee comes across any transaction that appears to be of suspicious nature, it shall submit the report of such transactions through the Principal Officer to The Director, FIU-IND in the prescribed format, within 7 days of establishment of suspicion. In case transactions are abandoned or aborted by clients, on being asked to give some details or to provide documents, PersonalFN shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

PersonalFN shall not put any restriction on operation in the accounts of any client where an STR has been made and the same has been reported to FIU-IND. PersonalFN is prohibited from disclosing the same to the client for whom the STRs have been reported to FIU-IND. However, in exceptional circumstances consent may not be given to continue to operate the account, and transaction may be suspended.

PersonalFN shall adhere to the following while reporting transactions to FIU-IND:

1. The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month;
2. The STR shall 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 shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion;
3. The Non-Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month;
4. The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;
5. Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND; and
6. No nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious/ non – profit organization transactions to be reported.

Annexure II

(Acknowledgement)

I have read and understood the Anti-Money Laundering Policy version [January/February] 2021 issued by the Company. I have understood the policies and procedures as described in the said Policy and agree to abide by them and also the future amendments to the policies and procedures, which may be implemented and incorporated in the said Policy from time to time.

Name: _____

Date: _____

Signature: _____

Employee ID: _____

INSTRUCTIONS:

Kindly return the acknowledgement duly completed and signed to the Human Resources within 7 days of issuance of a copy of the Policy to you.

Annexure III

(Important Terms)

1. Beneficial Owner means the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted, and includes a person who exercises ultimate effective control over a legal person or arrangement.
2. Controlling ownership interest means ownership of/entitlement to:
 - a. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company; b. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or c. 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.
3. Suspicious Transaction means a transaction whether or not made in cash which, to a person acting in good faith:
 - a. Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; b. Appears to be made in circumstances of unusual or unjustified complexity. Appears to have no economic rationale or bona-fide purpose; c. Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism; d. Verification of identity or address details seems difficult or found to be forged/ false; e. Asset management services where the source of the funds is not clear or not in keeping with apparent standing /business activity; f. Substantial increases in business without apparent cause; g. Unusual & Unexplained large value of the transaction; h. Clients based in high risk jurisdictions; i. Transfer of large sums of money to or from overseas locations; j. Unusual and unexplained activity in dormant accounts; or k. Clients whose identity verification seems difficult or clients that appear not to co-operate.