

**Manual for Prevention
of Money Laundering
Act, 2002**

CRESCO FUTURES LIMITED

The Government of India has taken various initiatives to prevent the money laundering activities which are not only illegal but anti-national as well. The GOI ordered SEBI/Exchanges to instruct to Intermediaries to form policy to do strict and vigilant tracking of all transactions of suspicious nature required.

Compliance:

Every banking company, financial institution and intermediaries shall—

- a. maintain a record of all transactions, the nature and value of which may be prescribed, whether such transactions comprise of a single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within a month;
- b. furnish information of transactions referred to in clause (a) to the Director within such time as may be prescribed;
- c. verify and maintain the records of the identity of all its clients, in such manner as may be prescribed:

Provided that where the principal officer of a banking company or financial institution or Intermediary, as the case may be, has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued below the prescribed value (Rs.10 Lacs) so as to defeat the provisions of this section; such officer shall furnish information in respect of such transactions to the Director within the prescribed time

To prevent and control Money Laundering, we have appointed Mr. Akhilesh Kumar Mishra of the company as a "Principal Officer" in terms of Money Laundering Act, 2002 and the same were intimated to FIU-Director, Chanakyapuri, New Delhi. He will be responsible for implementation of internal controls & procedures for identifying and reporting any suspicious transaction or activity to the concerned authorities. He has the right of timely access to customer identification data, other CDD information and is able to report the same to senior management or the board of directors.

For the purpose of PMLA, transactions include:

1. All cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.
2. All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency, such series of transactions within one calendar month.

3. 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, security account maintained by the registered intermediary. For the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' need to be considered. "Suspicious transactions" means a transaction whether or not made in cash which to a person acting in good faith –

1. gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
2. appears to be made in circumstances of unusual or unjustified complexity or
3. appears to have no economic rationale or bonafide purpose.
4. appears to have no economic rationale or bonafide purpose; or
5. gives rise to reasonable grounds for suspicion that it may involve financing of the activities relating to terrorism

We have adopted 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. Transactions monitoring and reporting especially Suspicious Transactions Reporting (STR)

Client Due Diligence

The CDD measures comprise the following:

- a. Accept the documents issued by various Govt. authorities/PSU in India i.e PAN Card, Driving License, Voter ID etc. in order to identify persons who open a trading/demat account and beneficially own or control the securities account. Securities acquired or maintained through an account are beneficially owned by client itself, in case of party other than clients we verify the identity of party by same verification procedures as adopted for clients.
- b. 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;

- c. 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
- d. 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 genuine.
- e. We periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

Where the client is an individual, he shall for the purpose of sub-rule (1), submit intermediary, one certified copy of an 'officially valid document' containing details of his identity and address, one recent photograph and such other documents including in respect of the nature of business and financial status of the client as may be required by the intermediary. Provided that photograph need not be submitted by a client falling under clause (b) of sub-rule (1).

Where the client is a company, it shall for the purposes of sub-rule (1) submit to intermediary one certified copy of the following documents :

- Certificate of incorporation;
- Memorandum and Articles of Association;
- 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.
- Audited Financial statement

Where the client is a partnership firm, it shall for the purposes of sub-rule (1) submit to the intermediary one certified copy of the following documents :

- registration certificate;
- 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, for the purposes of sub-rule (1) submit to the intermediary one certified copy of the following documents :

- registration certificate;
- trust deed; and
- an officially valid document in respect of the person holding an

attorney to

(a) Policy for acceptance of clients

We are taking following safeguards while accepting the clients:

1. We have instructed our account opening section not to open account in a fictitious / benami name or on an anonymous basis in any circumstances.
2. We have not been allowing account opening, where its unable to apply appropriate clients due diligence measures / KYC policies.
3. We have been regularly updating KYC profile of "clients of special category" defined under Prevention of Money Laundering Act 2002, if any.
4. We have been properly complying documentation requirement and other information in respect of different classes of clients depending on perceived risk and having regard with the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI and SEBI from time to time.
5. We have not been allowing any client to act on behalf of another person / entity.
6. We have been taking special caution in case of account opening of NRI, OBC, FIIs etc.

(b) Procedure for identifying the clients

1. The 'Know your Client' (KYC) policy is clearly defined and adopted under the supervision of Principal Officer.
2. We have been identifying the client by using reliable sources including documents / information.
3. We verify each original document prior to acceptance of a copy and same be stamped "Verified with the original". The information collected by us is enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by us in compliance with the Guidelines.

4. We note the failure by prospective client to provide satisfactory evidence of identity and same to be reported to the higher authority within the organisation.
5. The back office and trading staffs are instructed to observe the following safeguards:
 - a. No cash transactions for trading in securities shall be allowed from any client in the normal course of business.
 - b. To Maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA. Such transactions include:
 - c. Cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.
 - d. All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
 - e. All suspicious transactions whether or not made in cash.
 - f. Frequent off Market share transfer from one BO account to another. In absence of valid reason or if found suspicious, it shall be brought to the notice of Principal Officer
 - g. Trading beyond declared income: The turnover of the clients should be according to their declared means of income. Any abnormal increase in client's turnover shall be reported to Principal Officer. The Back Office staff take due care in updating the clients' financial details and shall periodically review the same.

NOTE: SEBI has prescribed the minimum requirements relating to KYC for certain class of the registered intermediaries from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time, all registered intermediaries should frame their own internal guidelines based on their experience in dealing with their clients and legal requirements as per the established practices. Further, the intermediary should also maintain continuous familiarity and follow-up where it notices inconsistencies in the information provided. The principle officer should follow up the principles enshrined

in the PML Act, 2002 as well as the SEBI Act, 1992 so that the intermediary is aware of the clients on whose behalf it is dealing.

Procedure of Due Diligence in case of “Special Categories of Customers” or Higher Risk Categories:

Categorization of Clients

Clients may be classified into high and low risk categories depending upon the volume and nature of their business.

High Risk Category Clients Such clients include the following.

- i. Non resident clients
- ii. High networth clients (i.e the clients having networth exceeding 20 Lakhs and doing the intra day trading volume of more than 2 Crore and daily delivery volume more than Rs 20 Lakhs)
- iii. Trust, Charities, NGOs and organizations receiving donations
- iv. Companies having close family shareholdings or beneficial ownership
- v. Politically exposed persons (PEP) of foreign origin
- vi. Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)
- vii. Companies offering foreign exchange offerings
- viii. 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 centres, tax havens, countries where fraud is highly prevalent.
- ix. Non face to face clients
- x. Clients with dubious reputation as per public information available etc.
- xi. Such Other persons who as per our independent judgment may be classified as CSC.

Due Diligence taken to comply with CSC:

1. In addition to all the above mentioned due diligence in case of CSC we verify the genuineness of client on the website of Income Tax Department by matching details in PAN Card.
2. To verify the background or dubious reputation of client we search his name in defaulter list on the website of SEBI/EXCHANGES or any other available sources. We also search the website of Ministry of Corporate Affairs in case of corporate client.
3. We specially take care of compliances of all relevant rules, Regulation & circulars of Reserve Bank of India.
4. In our back office software such clients are kept in separate category and our RMS Department keep birds eye view on the trading of such clients, any suspicious trade/transactions are reported by RMS to Compliance officer immediately.
5. The origin of clients is taken care of in respect of High Risk Countries in accordance with the circular No.ISD/AML/CIR-1/2009, dated 01/09/2009 of SEBI.
6. To verify the financial status of such clients we take networth/Financial statement certified by Chartered Accountant/Company Secretary.
7. Data of such clients are updated at regular interval.

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 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.

The client should be identified by using reliable sources including documents / information and we should obtain adequate information to satisfactorily establish the identity of each new client and the

purpose of the intended nature of the relationship.

The information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the intermediary in compliance with the Guidelines. Each original document should be seen prior to acceptance of a copy. We also ensure that none of the clients are linked to any of the entities or individuals included in the list published by United Nation.

The above mentioned list is only illustrative and the back office and trading staff should exercise independent judgment to ascertain whether new clients should be classified as CSC or not.

Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the higher authority.

While accepting a client the underlying objective should be to follow the requirements enshrined in the PML Act, 2002 SEBI Act, 1992 and Regulations, directives and circulars issued there under so that we are aware of the clients on whose behalf we are dealing.

Risk Assessment

i. We carry out risk assessment to identify, assess and take effective measures to mitigate the money laundering and terrorist financing risk with respect to the clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc. While risk assessment we 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.

ii. The risk assessment carried out considering all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The assessment is documented, updated regularly and made available to competent authorities and self regulating "if found any suspicious transactions".

Reliance on third party for carrying out Client Due Diligence (CDD)

i. We don't allow such activities, however we assure and rely on a third party for the purpose of (a) identification and verification of the identity of a client and (b) determination of whether the client is acting on behalf of a beneficial

owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party is regulated, supervised or monitored properly by the trained staff for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.

ii. Such reliance is in compliance with PML Rules and in accordance with the regulations and circulars/ guidelines issued by SEBI/Exchanges from time to time.

(c) Transactions monitoring and reporting especially Suspicious Transactions

We do not allow cash transaction with client.

The Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions.

(d) Other Parameters

Retention of Records

We shall retain the following document:

- a. We maintain all necessary records of transactions, both domestic and international at least for the minimum period prescribed under the relevant Act (PMLA, 2002 as well SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars. Currently it has been prescribed for 5 years.

We keep records of clients for proper identification (e.g. copies or records of official identification documents like Pan, passports, identity cards, driving licenses or similar documents) and other business correspondence for the same period. Records evidencing the identity of clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of ten years after the business relationship between client and us has ended or the account has been closed, whichever is later."

In situations where the records relate to on-going investigations or transactions, which have been the subject of a suspicious transaction reporting, they must be retained until it is confirmed that the case has been closed.

(e) Hiring of Employees & Training

We conduct proper interview by competent person to ensure the high standards and integrity when hiring employees. We identify the key positions within our own organization structures having regard to the risk of money laundering and terrorist financing in commensurate with the size of business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

We conduct training program for employees and clients at suitable interval so that they are adequately trained in AML and CFT procedures.

Appointment of a Designated Director

In addition to the existing requirement of designation of a Principal Officer, we have designated to Mr. Vivek Verma as a 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules. We have communicated the details of the Designated Director, such as, name, designation and address to the Office of the Director, FIU-IND. Any change in 'Designated Director' will be intimated to the Office of the Director, FIU-IND.

The Designated Director will ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes: —

Reporting to FIU:

As per our Policy if any transaction of suspicious nature is identified it must be brought to the notice of the Principal Officer who will submit report to the FIU. Above said policies are reviewed by us on regular basis to keep it updated as per the various amendments in the PMLA.

We maintain and preserve the record of information 'if any' related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, for a period of five years from the date of the transaction between the client and us.