MAYANK SINGH CHANDEL

Anti-Money Laundering Policy

Table of Contents

OVERVIEW

The Prevention of Money Laundering Act, 2002 ("PMLA") was brought into force with effect from 1st July, 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on July 01, 2005 by the Department of Revenue, Ministry of Finance, Government of India.

Hence, this Know Your Customer (KYC) and Anti-Money Laundering (AML) Policy (the Policy) has been prepared in accordance with the PMLA.

As per the provisions of the PMLA, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, asset management company, depository participant, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with the securities market and registered under Section 12 of the Securities and Exchange Board of India Act, 1992 (SEBI Act) shall have to adhere to client account opening procedures and maintain records of such transactions as prescribed by the PMLA and rules notified there.

Such transactions include:

i. All cash transactions of the value of more than Rs. 10 lakh or its equivalent in foreign currency.

ii. All series of cash transactions integrally connected to each other which have been valued below Rs. 10 lakh 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 ten lakh rupees or its equivalent in foreign currency

iii. 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' shall also be considered.

OBJECTIVE

The objective of AML Policy is to:

a. Prevent the Organisation from being used, intentionally or unintentionally, by criminal elements for money laundering activities.

b. To enable to know/understand the customers/clients and their financial dealings better which in turn help in managing their risks prudently.

c. To verify the identity, suitability, and risks involved with maintaining a business relationship with the clients.

d. To adopt and implement AML and Combating of Financing of Terrorism (CFT) standards in its day-to-day practice.

e. To have a proper Customer Due Diligence (CDD) process before registering clients.

f. To monitor and report suspicious transactions.

g. To maintain records of all transactions as required under the Regulations/Guidelines

NEED FOR SUCH POLICIES

Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing.

To be in compliance with these obligations, our senior management is fully committed for establishing appropriate policies and procedures for the prevention of ML and TF and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements.

The Principal Officer has the ultimate responsibility for adoption and implementation of this Policy. Mayank Singh Chandel Research Analyst endeavours to ensure compliance and adoption of KYC/AML regulations by all its employees, and agents, by means of this policy.

PRINCIPAL OFFICER

The Firm has designated the Principal Officer who shall be responsible for implementation and compliance of this policy and shall include the following:

- Compliance of the provisions of the PMLA and AML Guidelines
- Monitoring the implementation of Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) Policy
- Reporting of Transactions and sharing of information as required under the law
- Ensuring submission of periodical reports to Top Management. The report shall mention if any suspicious transactions are being looked into by the respective business groups and if any reporting is to be made to the authorities.

Details of Principal Officer

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Designation: Research Analyst

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KNOW YOUR CUSTOMER POLICY

Know Your Client or KYC, as popularly known across the industry, is the process of identifying a client before signing him/her as an investor under a specific fund. KYC norms mandate Financial Institutions and Financial Intermediaries to obtain and verify personal and contact information of their clients in accordance with the laid down norms. Regardless of the amount invested, KYC is mandatory for all applications.

KYC Registration is a one-time exercise while dealing in securities markets - once KYC is done through a SEBI registered intermediary (eg. Broker, DP, Mutual Fund, Investment Adviser etc.), you need not undergo the same process again when you approach another intermediary.

Mayank Singh Chandel Research Analyst reserves a right to suspend or discontinue the service in case client fails to provide KYC information such as Permanent Account Number (PAN), AADHAR, Passport, etc. which is mandatory by virtue of provisions of SEBI Regulations. Further, the firm will not be held responsible for any discontinuance of service for those clients who have not submitted the KYC information as required to the firm.

The Organisation has an ongoing employee training programme so that the members of the staff are adequately trained in KYC procedures. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement it consistently.

CLIENT DUE DILIGENCE (CDD)

The Client Due Diligence (CDD) measures comprise the following:

a) Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. Whenever 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. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement

b) Verify the client's identity using reliable, independent source documents, data or information

c) 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

d) Not to accept clients with identity matching with a person known to have criminal Background.

e) Understand the ownership and control structure of the client.

f) Conduct ongoing due diligence and scrutiny, i.e. performing ongoing scrutiny of the transactions and account throughout the course of the business relationship.

g) Updating periodically all documents, data or information of all clients and beneficial owners collected under the CDD process.

Reliance on Third Party for Carrying Out Client Due Diligence

Reliance may be placed 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 shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PMLA.

CLIENT'S ACCEPTANCE POLICY

Mayank Singh Chandel Research Analyst has further developed customer acceptance policies and procedures that aim to identify the types of customers that are likely to pose a higher than the average risk of money laundering or terrorist financing. By establishing such policies and procedures, we are in a better position to apply customer due diligence on a risk sensitive basis depending on the type of customer business relationship or transaction.

In a nutshell, the following safeguards shall be followed while accepting the clients:

- ✓ No account shall be opened in a fictitious / Benami name or on an anonymous basis.
- ✓ Factors of risk perception of the client shall be clearly defined having regard to clients' location, nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. These parameters will enable to classify the clients into low, medium and high risk. Clients of special category may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of KYC profile.
- ✓ Documentation requirement and other information shall be collected in respect of different classes of clients depending on perceived risk and having regard to the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI and SEBI from time to time.
- ✓ Operational Due Diligence process will be revisited when there is suspicions of money laundering or financing of terrorism.

RISK – BASED APPROACH

It is generally recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, each of the client due diligence measures on a risk sensitive basis shall be applied. The basic principle preserved in this approach is that an enhanced client due diligence process shall be adopted for higher risk categories of clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients.

RISK ASSESSMENT

Risk assessment to be carried out to identify, assess and take effective measures to mitigate money laundering and terrorist financing risk with respect to clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc. The risk assessment shall 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. These shall be accessed by the organisation at the URL:

https://scsanctions.un.org/o8znzen-all.html#alqaedaent

The risk assessment carried out shall also consider 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 shall be documented, updated regularly and made available to competent authorities and self-regulating bodies, as and when required by them.

CLIENT IDENTIFICATION PROCEDURE

The client identification procedure is carried out at different stages i.e. while establishing the relationship with client, while carrying out transactions for the client or when the Firm has doubts regarding the veracity or the adequacy of previously obtained client identification data.

The firm shall be in compliance with the following requirements while putting in place a Client Identification Procedure **(CIP):**

a) The firm shall proactively put in place appropriate risk management systems to determine whether the client or potential client or the beneficial owner of such client is a politically exposed person (PEPs) or not. Such procedures include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPs.

b) Senior management approval shall be obtained for establishing business relationships with PEPs and where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, then also senior management approval shall be obtained to continue the business relationship.

c) Reasonable measures shall be kept in place to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.

d) The client shall be identified by using reliable sources including documents / information and adequate information is obtained to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.

e) Each original document shall be seen prior to acceptance of a copy.

f) Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority within the firm.

g) The firm shall have in place a comprehensive Customer Identification Procedure which details the various documents that the firm can take as Identity, Address proof for various types of customers. This Customer Identification Procedure document shall be

updated with approvals from Compliance, and Business groups, with subsequent ratification by the Partners.

h) The firm must also be able to satisfy the regulators that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place.

RECORD KEEPING & RETENTION OF RECORDS

The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provisions of PMLA and its Rules. Mayank Singh Chandel Research Analyst will:

(a) maintain all necessary records of transactions between the firm and the customer for at least five-years from the date of transaction. Necessary information in respect of transactions so as to permit reconstruction of individual transaction, shall also include the following:

- the nature of the transactions;
- the amount of the transaction and the currency in which it was denominated;
- the date on which the transaction was conducted; and
- the parties to the transaction.

(b) preserve the records pertaining to the identification of the customers obtained while opening the account and during the course of business relationship, for at least five-years after the business relationship is ended;

(c) maintain and preserve the records of documents evidencing the identity of its clients and beneficial owners (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later;

(d) make available the identification records and transaction data to the competent authorities upon request;

(e) evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities;

(f) maintain records of the identity and address of its customer, and records in respect of transactions in hard or soft format. It shall be the responsibility of the Firm and its Principal Officer, officers and employees to observe the procedure and manner of maintaining information;

(g) retain the records relating to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, until it is confirmed that the case has been closed;

(h) maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, as required under Rules 7 and 8 of the PML Rules, for a period of five years from the date of the transaction between the client and the intermediary.

MONITORING OF TRANSACTIONS

Regular monitoring of transactions is an essential element of effective AML procedures. The firm can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the client so that they have the means of identifying transactions that fall outside the regular pattern of activity.

Special attention shall be paid to all complex unusually large transactions / patterns which appear to have no economic purpose. The firm has specified internal threshold limits of Rs. 25 lakhs for each class of client accounts and will pay special attention to transactions which exceeds these limits. 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/FIUIND/ other relevant Authorities, during audit, inspection or as and when required. These records are required to be maintained and preserved for a period of five years from the date of transaction between the client and the Firm.

Further, the compliance department of the firm shall 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.

Further, appropriate steps shall be taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions.

A list of circumstances which may be in the nature of suspicious transactions includes:

a) Clients whose identity verification seems difficult or clients that appear not to cooperate

b) Asset management services for clients where the source of the funds is not clear or not in keeping with clients' apparent standing /business activity;

c) Clients based in high risk jurisdictions;

d) Substantial increases in business without apparent cause;

e) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;

f) Attempted transfer of investment proceeds to apparently unrelated third parties;

g) Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services, businesses reported to be in the nature of export- import of small items.

Further, this list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances.

Any suspicious transaction shall be immediately notified to the Principal Officer or any other designated officer within the firm. 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 to operate the account, 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.

LIST OF DESIGNATED INDIVIDUALS OR ENTITIES

The firm shall endure that it accesses an updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) from its website at: https://scsanctions.un.org/o8znzen-all.html#alqaedaent

Further, precaution shall be taken to ensure that no account is opened whose name shall be appearing in such list and periodic review of the existing account shall be conducted to ensure that no existing account are linked to any of the entity or individual included in the list.

Any resemblance found shall be reported to SEBI and FIU-IND

REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA

As per the requirement of PMLA, and the Rules there under, the Firm is required to report following information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND):

(a) All cash transactions of the value of more than rupees 10 lakh or its equivalent in foreign currency.

(b) All series of cash transactions integrally connected to each other which have been individually valued below rupees ten 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 ten lakh rupees or its equivalent in foreign currency;

(c) All transactions involving receipts by non - profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency;

(d) 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;

(e) All suspicious transactions, whether or not made in cash, including attempted transactions.

(f) All cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India;

(g) All purchase and sale by any person of immovable property valued at fifty lakh rupees or more that is registered by the reporting entity.

The above-mentioned information shall be submitted to:

Financial Intelligence Unit-India,

Website: http://fiuindia.gov.in

Further, the Firm shall adhere to the following:

a) The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.

b) The Suspicious Transaction Report (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.

c) The Non-Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month.

d) The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;

e) Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU

f) No nil reporting needs to be made to FIU-IND in case there are no cash/suspicious/non – profit organization transactions to be reported.

The Principal Officer shall furnish all the reports mentioned above based on the information available with the firm. He shall retain a copy of such information for the purposes of official record. It shall be the responsibility of the firm and its Principal Officer, officers and employees to follow the manner and procedure of furnishing information as specified by FIU-IND/RBI. There shall be no tipping off to the customers at any point of time. Additionally, as per CFT norms, details of individuals/ entities that match UN Sanctions lists shall be immediately reported to FIU-IND and RBI.

EMPLOYEES HIRING & TRAINING

Mayank Singh Chandel Research Analyst will have adequate screening procedures in place to ensure high standards when hiring employees. The key position shall be identified having regard to the risk of money laundering and terrorist financing. Mayank Singh Chandel Research Analyst further ensures that the employees taking up such key positions are suitable and competent to perform their duties. Further, AML standards / CFT measures have been prescribed to ensure that criminals are not allowed to misuse the firm's infrastructure.

The HR Department is instructed to verify the identity, cross check all the references, family background and should take adequate safeguards to establish the authenticity and genuineness of the persons before recruiting.

The department should obtain the following documents:

1. Photographs
2. Proof of address
3. Identity proof
4. Proof of Educational Qualification
5. Proof of Bank Account Details

The firm shall have an ongoing employee training programme so that the members of the staff are adequately trained in KYC and AML procedures. Training requirements shall have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients. 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.

INVESTORS EDUCATION

As the implementation of AML/CFT measures being sensitive subject and requires us to demand and collect certain information from investors which may be of personal in nature or has hitherto never been called for, which information include documents evidencing source of funds/income tax returns/bank records etc. and can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information. There is, therefore, a need for us to sensitize the clients about these requirements, as the ones emanating from AML and CFT framework. We shall circulate the PMLA Circulars and other specific literature/pamphlets etc. so as to educate the client of the objectives of the AML/CFT program. The same shall also be emphasized on, in the Investor Awareness Programs conducted by us at frequent intervals of time.