

Quantum Global Securities Ltd

Anti Money Laundering Policy

Policy created by:	Operational/ Risk Management Staff
Policy reviewed by:	Compliance Officer & Principal Officer
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1. Preamble:

The Government of India has serious concerns over money laundering activities which are not only illegal but anti-national as well. The prevention of Money Laundering Act, 2002 (PMLA) was enacted in 2003 and brought in to force with effect from 1st July 2005 to prevent money laundering and to provide for attachment, seizure and confiscation of property obtained or derived, directly or indirectly, from or involved in money laundering and for matters connected therewith or incidental thereto . Necessary Notifications/Rules under the said Act were published in the Gazette of India on July 01, 2005. As a market participant, it is evident that strict and vigilant tracking of all transactions of suspicious nature required.

Pursuant to the recommendations made the Financial Action Task Force on anti- money laundering standards, SEBI has issued a master circular No. CIR/ISD/AML/3/2010 dated December 31, 2010 on anti money laundering/ combating the Financing of Terrorism (CFT) in line with the FATF recommendations and PMLA Act, 2002. As per the Guidelines on Anti Money Laundering standards notified by SEBI, All registered intermediaries have been advised to ensure that proper policy frameworks are put in place. The objective is

to ensure that we identify and discourage any money laundering or terrorist financing activities and that the measures taken by us are adequate enough to follow the spirit of the Act and guidelines

As per the provisions of the PMLA, Intermediary includes a stockbroker, 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 under.

SEBI has issued necessary directives through circulars from time to time, covering issues related to Know your Client (KYC) norms, Anti- Money Laundering (AML), Client Due Diligence (CDD) and combating Financing of Terrorism (CFT). The directives lay down the minimum requirements and it is emphasized that the intermediaries may, according to their requirements, specify additional disclosures to be made by clients to address concerns of money laundering and suspicious transactions undertaken by clients.

Accordingly the Company has laid down policy guidelines which have been reviewed from time to time in the light of SEBI Master circular No. CIR/ISD/AML/2010 dated December 31, 2010 and other SEBI Circulars on Anti Money Laundering (AML) standards / combating the financing of Terrorism (CFT) obligation of intermediaries under prevention of money laundering act 2002 (PMLA) and Rules framed the under, after making necessary amendments in the existing Anti money laundering policy of the company. In pursuance of above said circular and the provision of the prevention of money laundering act, 2002 (PMLA) the policy of the company is to prohibit and actively

prevent money laundering and any activity that facilitates money laundering or terrorist financing. Money laundering is generally understood as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds or assets so that they appear to have derived from legitimate origins or constitute legitimate assets.

2. Definition of money laundering

2.1 Section 3 of the Prevention of Money Laundering (PML) Act 2002 has defined the

“Offence of money laundering” as under:

“Whoever directly or indirectly attempts to indulge or knowingly assists or knowingly is party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money laundering”

2.2 For the purpose of this document, the term ‘money laundering’ would also cover financial transactions where the end use of funds goes for terrorist financing irrespective of the source of the funds.

2.3 Money Laundering Cycle: The process of Money Laundering regardless of its degree of complexity is accomplished in three stages, namely, (a) the placement stage, (b) Layering stage and (c) Integration Stage.

a) Placement: Physical disposal of criminal proceeds (large amount of cash) and initial introduction of illicit funds in to a financial services institution.

b) Layering: Movement of Funds(e.g. through multiple transactions) from institution to institution to hide the source and ownership of funds and to separate the criminal proceeds from their source by the creation of layers of transactions designed to disguise the audit trail and provide the appearance of legitimacy.

c) Integration: The placing of laundered proceeds back into the economy in such a way that they re-enter the market appearing as normal and legitimate funds.

3. Obligations under Prevention of Money Laundering [PML] Act 2002

Section 12 of PML Act 2002 places certain obligations on every Financial Institution/Intermediary/ banking company which include:

- (i) Maintaining a record of prescribed transactions
- (ii) Furnishing information of prescribed transactions to the specified Authority
- (iii) Verifying and maintaining records of the identity of the investors/customers
- (iv) Preserving records in respect of (i), (ii), (iii) above for a period of 5 years from the date of cessation of transactions i.e., the date of termination of account or business relationship between the client/ investor and the intermediary.

4. Policy Objectives

4.1 To prevent criminal elements from using the Stock Market System for money laundering activities.

4.2 To enable Quantum Global Securities Ltd as intermediary to keep track of the financial transactions of the investors.

4.3 To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.

4.4 To comply applicable laws and regulatory guidelines.

4.5 To take necessary steps to ensure that the concerned staff is adequately trained in KYC/AML procedures.

5. Money Laundering – Risk Perception

5.1 Money laundering activities expose the Intermediary / Financial Institution to various risks such as:

a. Reputation Risk:

Risk of loss due to severe impact on the reputation of the financial institution/Intermediary. This may be of particular concern given the nature of the business in Mutual Fund industry, which requires the confidence of investor public.

b. Compliance Risk:

Risk of loss due to failure of compliance with key regulations governing the Mutual Fund Registry activities.

c. Operational Risk:

Risk of loss resulting from inadequate or failed internal processes, people and Systems or from external events.

d. Legal Risk:

Risk of loss due to any legal action or its staff may face due to failure to comply with the law.

6. Quantum Global initiative:

Quantum Global has undertaken a comprehensive AML framework and laid down an Anti Money Laundering Policy in 2006 which was reviewed from time to time. The basic purpose of this AML policy is to established a system for “client due diligence process” for QUANTUM GLOBAL to participate in the international efforts against ML and to duly comply with the detailed guidelines as described under above said circular of the SEBI and other legal provisions as well as to ensure that QUANTUM GLOBAL is not used as a vehicle for ML. The AML framework of the QUANTUM GLOBAL would meet the extant regulatory requirements.

7. Scope:

This AML policy establishes the standards of AML compliance and is applicable to all activities of the QUANTUM GLOBAL and its branches. Other group companies shall formulate their respective AML policies (in line with their regulatory requirements) with the approval of the respective Board of Directors.

8. Objective of this policy:

- i. To establish a frame work for adopting appropriate AML Procedures and controls in the operations / business processes of QUANTUM GLOBAL.
- ii. To put in place appropriate controls for the detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.
- iii. To comply with applicable laws and regulatory guidelines.
- iv. To take necessary steps to ensure that the concerned staff are adequately trained in KYC/AML procedures.
- v. To assist law enforcement agencies in their effort to investigate and track money launders.

9. Principal Officer designation and duties:

The Company has designate Mr. Atul Narendra Malik Director, as the Principal Officer for due compliance of anti money laundering policies. He will be responsible for implementation of internal controls & procedures for identifying and reporting any suspicious transaction or activity to the FIU – IND.

The company has provided the FIU with contact information of the principal officer and will promptly notify FIU of any changes in this information.

10. Designated Director designation and duties:

Mr. Atul Narendra Malik Director of the company has been appointed as a

designated director as per the SEBI's requirement given viz circular no. CIR/MIRSD/1/2014 dated March 12, 2014 in terms of Rule 2 (ba) of the PML Rules. The responsibility of the designated director is to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules.

The company has intimated to the FIU about appointment of designated director along with his contact information. The company will promptly notify FIU of any changes in this information.

11. Customer due diligence (CDD):

A. Client identification and acceptance procedure:

The 'Know your Client' (KYC) policy clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the intermediary – client relationship, while carrying out transactions for the client or when the intermediary has doubts regarding the veracity or the adequacy of previously obtained client identification data.

The client must be identified by the intermediary by using reliable sources including documents / information. The intermediary 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.

In case it is suspected that the client has provided non genuine information and in case of willing non cooperation by prospective client to provide satisfactory evidence of identity, account opening process of prospective client should be stopped.

Note: Apart from the above, we must follow our Customer Acceptance Procedure & Customer Identification Requirements – Indicative Guidelines as given herein under Annexure I, II & III

B. Identification of Beneficial Ownership (BO)

I. For clients other than individuals or trusts:

Where the client is a person *other than an individual or trust*, viz., company, partnership or unincorporated association/body of individuals, we shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, 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 interest.

Note: 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 4 (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.

(Note: 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 4 (a) or 4 (b) above, the identity of the relevant natural person who holds the position of senior managing official.

II. For client which is a trust:

Where the client is a *trust*, we shall identify the beneficial owners of the client 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.

III. For foreign investors

In case of foreign investor viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, KYC and identification of beneficiary owner must be done accordance with Annexure III.

Exemption of KYC/identification of beneficiary owner requirement:

- 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.

➤ In case of foreign investors:

In case of Sovereign Wealth Fund, Foreign Governmental Agency, Central bank, international or multilateral organization and Central or State Government Pension Fund, we shall satisfy our self about their status and thereafter, only provisions at point 9 of Annexure III shall be applicable. Further, these entities shall also be a part of KRA centralized system of KYCs

C. In Person Verification – SEBI Norms:

Apart from carrying out the KYC as explained above, it is mandatory for intermediaries to carry out In- Person verification (IPV) of all its new investors.

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 underlying principle should be to follow 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.

Company adhere with the KYC (know Your Client) norms of the SEBI. We take all the details from the client like in case of individual we take photo identity proof issued by any government authority i.e. Driving License, Passport or Pan Card containing photo. We take address proof, copy of pan card, bank details and demat details and also verify the original of all the above-mentioned documents.

We take above-mentioned details of director in case of corporate, details of partner /proprietor in case of firm and Karta in case of HUF and last but not the least; we always take the details of the introducer of the client. We also update our client agreement form and risk disclosure as per the requirement of the regulatory authority from time to time. (Annexure I and Annexure II contains the guidelines followed for acceptance and identification of customers). Our own staff or associates are only authorised to do IPV of the client either in our offices or at client's premises. In case personal visit not possible, then IPV can be done through video conferencing. All documents along with client must be verified over video call and recording must be preserved.

D. Account not to be opened

- a. in fictitious / benami name,
 - b. where the identity of the client cannot be ascertained,
 - c. information provided is suspected to be non-genuine,
 - d. Perceived non-cooperation of the client in providing full and complete information.
 - e. Identity of client matches with persons having known criminal background or is banned in any other manner.
 - f. Senior management approval will be obtained for establishing business relationship with PEPs** & it will be brought to the notice if client becomes PEPs subsequently.
- E. Scanning of our Client database to ensure that no account is held or linked to any entity or individual which is debarred by UN on its website.
- F. If account of client is to be operated by someone else authorized by the client in that circumstance the POA should be obtained & it should clearly confirm that in what manner the account will be operated, transaction limits for the operation & right and responsibility of both the parties.

The Company has also instructed all staff including branch people to regularly report the transaction of suspicious nature to the Operation Head. We also try to ensure that the payment and delivery is received from the client own bank/ demat account. We don't accept any payment from third party and same rule is being followed in case of delivery also.

*(** PEP mean politically exposed person cover member of parliament, member of legislative assembly/council or officer bearer of any political parties or held any designated post in any parties.)*

G. Categorization of Clients

We 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, 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 can be accessed at following)
http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and
<http://www.un.org/sc/committees/1988/list.shtml>

The risk assessment carried out shall 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.

While accepting and executing a client relationship the Company adopt a risk based approached as under:

Low Risk	Medium Risk
Individual clients, with clean image, not PEP, with investment up to Rs. 40 Lakhs, whose identity and sources of wealth can be easily identified	Client over investment of Rs. 40 Lakh where identity and sources of wealth are not supported by public documents like income returns , registered conveyance deeds etc
Listed Companies	Clients with sudden spurt in volumes or investment without apparent reasons
Client dealing only in CM segment	Client dealing in derivatives segment
Govt owned companies, regulated bodies like banks and PMLA regulated intermediaries	Person in business/industry or trading activity where scope or history of unlawful trading/business activity dealings is more.
Arbitrageurs	Clients who trade in derivatives
Client having regular relationship or low volumes (e.g. up to 5 Cr daily)	Clients having occasional relationship but with moderate volumes

The other clients matching any of the following descriptions shall be compulsorily categorized as a “High Risk Client”:

- a. Non resident clients (NRI)
- b. High Net worth clients (holding shares over Rs. 10 crore),
- c. Trust, Charities, NGOs and organizations receiving donations
- d. Politically exposed persons (PEP)
- e. 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)

f. Companies offering foreign exchange offerings

g. 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,.

i. Clients with dubious reputation as per public information available etc.

j. We are also ensuring that none of the client is linked to any of the entities or individuals included in the list published by United Nation or UNSCRs. The list of existing clients will also be scanned from said list continuously and full details of the accounts bearing resemblance to any of the individual/ entities in the list will be immediately reported to SEBI & FIU-IND.

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

H. Special Category:

Each Registration form and Agreement must be reviewed by a senior manager before allowing any client to transact with us and Following high Risk categories clients may be graded in group of special category of client:

- 1) Non resident clients

- 2) High Net worth Clients
- 3) Trust, Charities, NGOs and organizations receiving donations
- 4) Companies having close family shareholdings or beneficial ownership
- 5) Politically Exposed Persons (**PEP**) are 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) Politically exposed persons (PEP) of foreign origin
- 7) 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)
- 8) Companies offering foreign exchange offerings
- 9) Current / Former Head of State

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. 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.

viii. Non face to face clients

Clients with dubious reputation as per public information available etc

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.

There shall be no minimum investment threshold/ category-wise exemption and above said policy shall be strictly implemented for all the clients.

(Note: The above mentioned list is only illustrative and the Staff shall exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.). In case client is under medium or high risk or under CSC, then additional diligence shall be maintained and client must be treated fairly and personal relationship with staff will not paly any importance while dealing with higher risk category of the clients.

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

As per SEBI guidelines, we may rely on the third party's report for the following purpose:

- a. For identification and verification of the identity of a client
- b. Determination of whether the client is acting on behalf of a beneficial owner
- c. Identification of the beneficial owner
- d. Verification of the identity of the beneficial owner

If such third is regulated, supervised or monitored by the SEBI or other regulator and having measure in place to verify the required compliance with regard to due diligence and sound infrastructure and resources to fulfil record keeping requirement in line with

the obligations under the PML Act.

However QUANTUM GLOBAL has not outsource such activities to any third party and has decided to make customer due diligence ourselves and keep the required document/information.

12. Setting-up limits

The margin limit of client is set by RMS Manager; depend on client ledger balance & Security Margin deposited with company. Margin server access is restricted to head office only and surveillance department manage the transaction of clients. Margin limits are changed only on phone calls by designated person of Accounts department if funds & Security received from clients.

The margin limit to the medium, high risk clients is strictly given within the available margin of the clients. If client is insist to take any leverage it can be done only for intraday and approval from RMS head to category of medium risk clients and management's approval is required in case of clients belonging to category of high risk clients.

RMS team should also take extra due diligence with regard to trading pattern of medium and high risk category client along with PEP i.e. traded volume, trading in particular scrip, etc. If they find any unusual trading pattern, they must bring to the notice of principal officer and top management of the company.

13. Maintenance and retention of records

Company will maintain and preserve the following information in respect of transactions referred to in Rule 3 of PMLA Rules for the period of 5 years in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities.

- I. Client Registration Forms

- II. Transaction record
- III. Identity of client related record
- IV. Filled STR/CTD
- V. KYCs of clients who have closed accounts
- VI. The parties to the transaction.
- VII. Alerts downloaded given by exchanges
- VIII. Such 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 prosecution of criminal behavior.
- IX. The beneficial owner of the account, The volume of the funds flowing through the account, and for selected transactions: the origin of the funds; the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.; the identity of the person undertaking the transaction; the destination of the funds; and the form of instruction and authority.
- X. Client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed there-under PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.
- XI. All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency, however cash transaction is strictly not allowed in our business;
- XII. All series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of

- transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
- XIII. All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- XIV. All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.
- XV. "Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved 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.
- XVI. All necessary records on transactions, both domestic and international, shall be maintained.
- XVII. Records on client identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence shall also be kept for the same period.
- XVIII. In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they shall be retained until it is confirmed that the case has been closed.

14. Pre- funded instruments / Electronic fund transfers

As per our policy we do not accept Pay order/demand draft/Banker's Cheques, etc. However we should follow following guidelines with respect to electronic funds receipt and acceptance of pre funded instrument only in exceptional circumstances

like when we have presumption of client default, etc.

I. Electronic funds receipt:

- a. We should verify the payment received from the client electronically as whether funds were received from the designated bank mapped in our record. If yes then give the credit else keep it in suspense account and ask to the client for supporting documents.
- b. After getting satisfactory documents which prove that the received funds has been given from client's own bank account which is mapped in our data base, give the credit of the same to the client account.
- c. If client has made payment from his own bank account which is not mapped in our data base, ask to client for written request with bank account supporting documents for mapping of additional new bank details in client master data base. After receipt of required documents, client's new bank details should be mapped and credit given to client account.
- d. If client fail to prove funds has been given to his own bank account, such fund must be refunded to the same bank account from where funds were received.

II. Pre Funded Instrument:

If the aggregate value of pre-funded instruments is ` 50,000/- or more, per day per client, we may accept the instruments only if the same are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank. The mode of certification may include the following:

- a. Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
- b. Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.

- c. Certified copy of the passbook/bank statement for the account debited to issue the instrument.
- a. Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument.

Note: *Maintain an audit trail of the funds received through electronic fund transfers to ensure that the funds are received from their clients only.*

15. Recruitment of personnel

The company has adequate screening procedures in place to ensure high standards when hiring employees. They should identify the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties. The HR Department is instructed to cross check all the references 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 References

Employees' Training

Company Will adopt an ongoing employee training program so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements will have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new customers. It

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

16. Procedure for freezing of funds, financial assets or economic resources or related services

Due care will be taken to ensure expeditious adherence of the orders if any issued time to time Section 51A, of the Unlawful Activities (Prevention) Act, 1967 (UAPA).

- a. Maintain and update designated lists of individuals/ entities subject to UN sanction measures in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order (referred to as designated individuals / entities) are holding any funds, financial assets or economic resources or related services held in the form of securities with them.
- b. In the event, particulars of any of customer/s match the particulars of designated individuals/entities, we shall immediately, within 24 hours from the time of finding out such customer, inform full particulars of the funds, securities, transactions or economic resources or related services held in the form of securities, held by such customer on their books to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011- 23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at jsis@nic.in.
- c. We shall send the particulars of the communication mentioned in above point no 16 (b) through post/fax and through e-mail (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Officer on

Special Duty, Integrated Surveillance Department, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 as well as the UAPA nodal officer of the state/UT where the account is held, as the case may be, and to FIU-IND.

- d. In case the aforementioned details of any of the customers match the particulars of designated individuals/entities **beyond doubt, we** would prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No. 011-23092569 and also convey over telephone on 011- 23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at jsis@nic.in.
- e. We shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph (b) above carried through or attempted, as per the prescribed format.
- f. **Freezing of financial assets under UAPA:**
 - i. On receipt of the particulars as mentioned in paragraph b above, IS-I Division of MHA would cause a verification to be conducted by the State Police and /or the Central Agencies so as to ensure that the individuals/ entities identified by the stock exchanges, depositories, registered intermediaries are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by stock exchanges, depositories, registered intermediaries are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.

- ii. In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND.
- iii. The order shall take place without prior notice to the designated individuals/entities.

g. Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person.

Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, shall move an application giving the requisite evidence, in writing, to the concerned stock exchanges/depositories and registered intermediaries. The stock exchanges/depositories and registered intermediaries shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 5(ii) above within two working days. The Joint Secretary (IS-I), MHA, being the nodal officer for (IS-I) Division of MHA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, within fifteen working days, unfreezing the funds,

financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned stock exchanges, depositories and registered intermediaries. However, if it is not possible for any reason to pass an order unfreezing the assets within fifteen working days, the nodal officer of IS-I Division shall inform the applicant.

17. Investors Education

Implementation of AML/CFT measures requires back office and trading staff to demand certain information from investors which may be of personal nature or which have 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 for the back office and trading staff to sensitize their customers about these requirements as the ones emanating from AML and CFT framework. The back office and trading staff should prepare specific literature/ pamphlets etc. so as to educate the customer of the objectives of the AML/CFT programme.

18. Identification of transactions:

The back office and trading staff is instructed to observe the following safeguards:

- 1 No cash transactions for trading in securities shall be allowed t from any client in the normal course of business.
- 2 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:

- All cash transactions integrally connected to each other which have been exceed the value Rs 10 lakhs.
 - 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. If any such transaction is found it will be brought to the notice of the Principal Officer who will report the same to the FIU-IND within the time limit as prescribed in the PMLA Act.
- 3 Trading beyond ones 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 should take due care in updating the clients' financial details and shall periodically review the same.

All said transactions will be maintained in such a manner that data can be retrieved any time If required by any statutory body.

19. Suspicious Transaction Monitoring, Filling & Reporting to FIU

We shall continuously monitor transactions of clients i.e. i) trading – dealing in illiquid share, sudden increase in volume, order on unrealistic price, acting in concert, ii) Demat/Bo account transactions, iii) banking transaction, iv) Cash transactions if offered, v) Whether client has made third party payment (other than his own account), vi) large transactions / patterns which appear to have no economic purpose vii) breach/exceed of internal threshold limits for each class of client accounts viii) 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 etc. And report to concern staff i.e. Compliance Officer / Principal Officer / Designated Director as per our policy to analyse/verify such transaction identify as suspicious and further course of action to be taken if required.

For Cash Transaction Reporting:

Dealings in Cash, if any, requiring to report to the FIU IND in the CTR format and in the manner and at intervals as prescribed by the FIU IND.

For Suspicious Transactions Reporting

We will make a note of Suspicious Transaction that have not been explained to the satisfaction of the principal officer and thereafter report the same to the FIU IND within the required deadlines.

Where a client aborts/abandons a suspicious transaction on being asked some information by the company officials, the matter should be reported to FIU in the STR irrespective of the amount.

We will not base our decision on whether to file a STR solely on whether the transaction fails above a set threshold. We will file a STR and notify law enforcement of all transactions that raise an identifiable suspicion of criminal or terrorist corrupt activities.

Utmost confidentially be maintained in filling CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address.

In terms of the PMLA Rules, Principal Officer is required to report information relating to cash and/or any suspicious transactions found to the Director, Financial Intelligence Unit-India (FIU-IND) electronically with user id and password provided by the FIU-IND. If not able to submit CTR/STR electronically due to any technical problem, we must report to FIU-IND physically at the following address:

**Director, FIU-IND,
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat, Chanakyapuri,
New Delhi-110021**

Website: <http://fiuindia.gov.in>

No nil reporting needs to be made to FIU-IND in case there are no cash/suspicious transaction to be reported. We shall ensure not to put any restrictions on operations in the accounts where an STR has been made. QUANTUM GLOBAL and its directors, officers and employees (permanent and temporary) will be prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND. Thus, it should be ensured that there is no tipping off to the client at any level. Our company will create and maintain STRs and CTRs and relevant documentation on customer identity and verification. We will maintain STRs and their accompanying documentation for at least 5 years.

20. Transactional Alerts provided by the Exchange

In order to facilitate effective surveillance mechanisms at the Member level, the Exchange provide transaction alerts based on the trading activity on the Exchange.

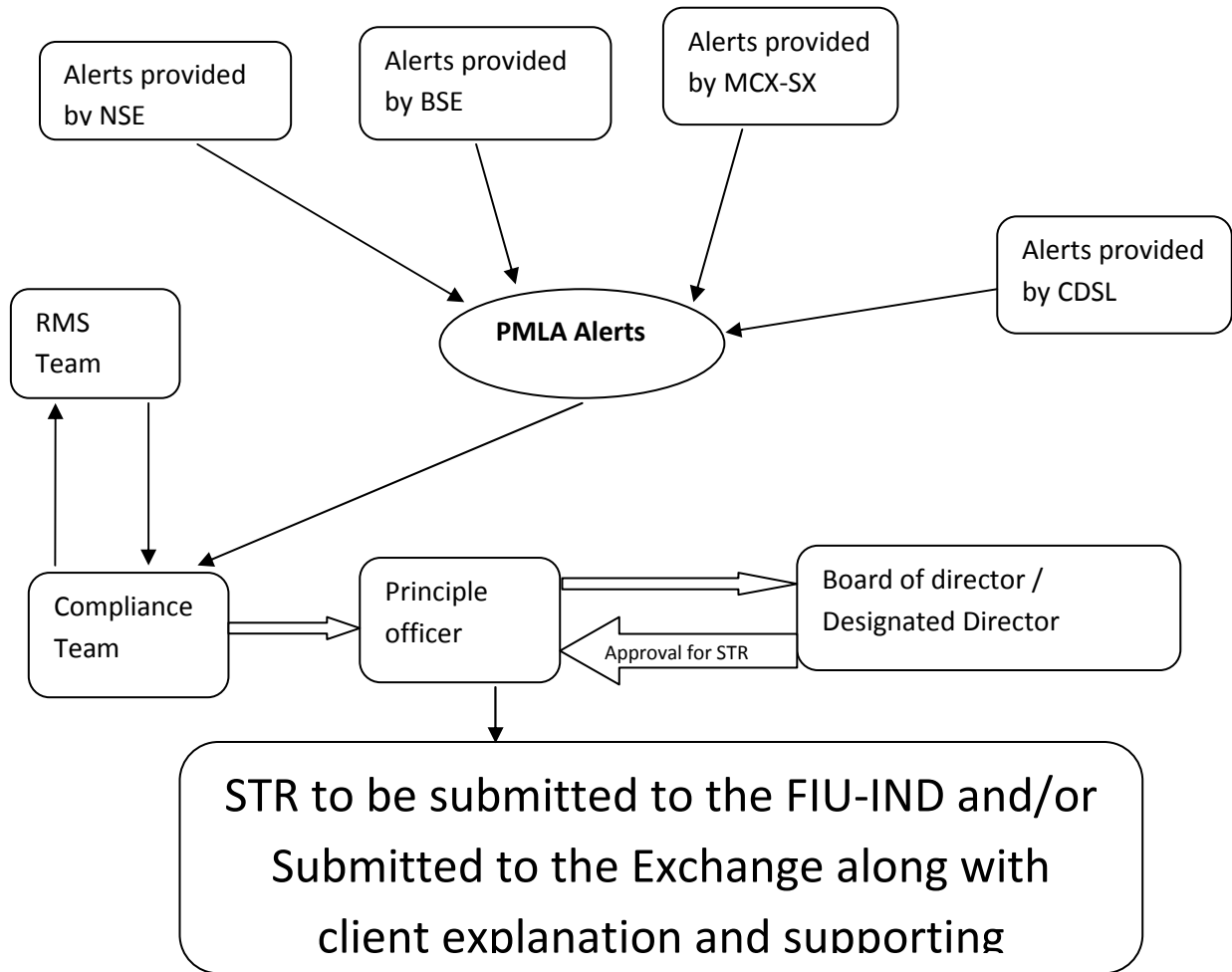
- l) There are consolidated file of alerts based on above mentioned different parameters to be downloaded from NSE through ENIT and BSE through EDOS.

- II) Download these files in excel format copy the same in alert compilation alert.
- III) If any alerts found, need to be checked the following first
- a. CRF of client.
Financial back ground of client
- IV) Compliance team forward PMLA alerts to RMS team for their feedback / remarks like clients payment terms, trading pattern, etc.
- V) RMS team shall revert back PMLA alerts file to compliance officer after mentioning their remarks / feed back
- VI) Compliance team first analyzes the transactions alerts with available record.
- a. Clients past trading pattern
 - b. Frequency of trading of the clients
 - c. Nos. of account of the same family / group
 - d. Whether the client is related directly or indirectly with the company questioned in alerts or any group.
- VII) If require, Compliance team may seek explanation from the clients about the said transactions based on the nature of transaction alerts.
- a. Source of funds if client purchase stock
 - b. Source of delivery if client sale stock
 - c. Reason for sudden increase of volume
 - d. Reason for dealing in specific scrip from all group / family account
 - e. Reason of order price away from market price
 - f. If client deal in concert
 - g. Whether he is related with the company or not.
 - h. Or any other query specifying the alert in question.
 - i. Other connected clients
 - j. Other publicly available information

- VIII) If required Compliance team seek documentary evidence in support of explanation of the clients.
- IX) Compliance team must put their remarks in each transactions alert and forward it to the Principal Officer.
- X) Principal Officer must cross check remarks given by the compliance team and analyze the transactions with available record.
- XI) If required principal Officer may ask to client for further explanation and or necessary documents.
- XII) If principal officer satisfy with the documents and clarification of clients, close the alerts and put remarks accordingly.
- XIII) If Principal Officer still finds anything suspicious, forward the same to the management and take the approval from management / director and report to the exchange with his comment along with documents
- XIV) If any concern seen post inquiry/ receipt of explanation from client, Principal Officer shall forward the alerts to the Exchange with his comments and any documents deemed relevant.
- XV) Analyzing and reporting of alerts must be completed within 15 days of transaction alerts received from the exchange.

Note: Sub points of points III, VI & VII are only illustrative. Compliance team / principal officer may analyse, seek documents / clarification from the client based on the nature of transaction alerts and clients.

Flow chart of analyzing process of PMLA alerts



For

Quantum Global Securities Ltd

(Neha Gupta)

Compliance Officer

Annexure-I

Customer Acceptance Procedure

Features to be verified and documents that may be obtained from
Customers

<p>Accounts of individuals</p>	<ul style="list-style-type: none"> • Legal name and any other names used • Correct permanent address • Passport • PAN card • Voter’s Identity Card • Driving licence • Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of branch • Telephone bill • Letter from any recognized public authority • Telephone bill • Electricity Bill • Ration Card • Letter from the employer, (subject to the satisfaction of the branch) • Any other document which provides customer information to the satisfaction of the broker will suffice.
<p>Accounts of companies</p>	<ul style="list-style-type: none"> • Name of the company • Principal place of business • Mailing address of the company • Telephone/Fax Number • Certificate of incorporation and • Memorandum & Articles of Association • Resolution of the Board of Directors to open an account and identification of those who have authority to operate the

	<p>account</p> <ul style="list-style-type: none"> • (iii) Power of Attorney / Board Resolution granted to its managers, officers or employees to transact business on its behalf • Copy of PAN allotment letter • Copy of the telephone bill
Accounts of partnership firms	<ul style="list-style-type: none"> • Legal name • Address • Names of all partners and their addresses • Telephone numbers of the firm and partners • Registration certificate, if registered • Partnership deed • Power of Attorney/ Partnership Letter granted to a partner or an employee of the firm to transact business on its behalf • Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses • Telephone bill in the name of firm/partners
Accounts of trusts & foundations	<ul style="list-style-type: none"> • Names of trustees, settlers, beneficiaries and signatories • Names and addresses of the founder, the managers/directors and the beneficiaries • Telephone/fax numbers • Certificate of registration, if registered • (ii) Power of Attorney/ Resolution granted to transact business on its behalf • Any officially valid document to identify the trustees, beneficiaries and those holding Power of Attorney, founders/managers/ directors and their addresses • Resolution of the managing body of the foundation/association granting authority to transact business • Telephone bill

Annexure II

Customer Identification Requirements – Indicative Guidelines

Particulars	Guidelines
Trust/Nominee or Fiduciary Accounts	There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. The Compliance team should determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, Compliance team shall insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. While opening an account for a trust, dealers should take reasonable precautions to verify the identity of the trustees and the settlers of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries should be identified when they are defined. In the case of a 'foundation', steps should be taken to verify the founder managers/ directors and the beneficiaries, if defined.
Accounts of companies and firms	Compliance team need to be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with brokers. They should examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perception e.g. in the case of a public company it will not be necessary to identify all the shareholders. But at least promoters, directors need to be identified adequately.
Client accounts opened by professional intermediaries	When the dealer has knowledge or reason to believe that the client account opened by a professional intermediary is on behalf of a single client, that client must be identified. Dealers may hold 'pooled' accounts managed by professional intermediaries on behalf of Entities like mutual funds, pension funds or other types of funds. Dealers should also maintain 'pooled' accounts managed by lawyers/chartered accountants or stockbrokers for funds held 'on deposit' or 'in escrow' for a range of clients. Where funds held by the Intermediaries are not co-mingled at the branch and there are 'sub-accounts', each of them attributable to a beneficial owner, all the beneficial owners must be identified. Where such accounts are co-mingled at the branch, the branch should still look through

	to the beneficial owners. Where the broker rely on the 'customer due diligence' (CDD) done by an intermediary, it shall satisfy itself that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements.
Accounts of Politically Exposed Persons(PEPs) resident outside India	Politically exposed persons are 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. Compliance team should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. Compliance team should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The Compliance team should seek prior approval of their concerned Heads for opening an account in the name of PEP.
Accounts of non-face-to-face customers	With the introduction of telephone and electronic brokering, increasingly accounts are being opened by brokers for customers without the need for the customer to visit the broker branch. In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, there must be specific and adequate procedures to mitigate the higher risk involved. Certification of all the documents presented shall be insisted upon and, if necessary, additional documents may be called for.

Annexure III

Know Your Client Requirements in case of foreign clients

S. No.	Relevant requirements on KYC Form of foreign client as per SEBI norms	Clarifications for Foreign Investors viz. FII, Sub Accounts and QFIs
1	Authorized signatories list with specimen signatures to be submitted.	If the client has authorized the global Custodian - an entity regulated by an appropriate foreign regulatory authority or Local Custodian registered with SEBI as a signatory by way of a Power of Attorney ('PoA') to sign on its behalf, such PoA may be accepted.
2	Intermediary has to get the KYC form filled from the clients.	The Global Custodian or the Local Custodian may fill the KYC form, if authorized through the PoA.
3	PAN to be taken for individual promoters holding control - either directly or indirectly, Partners/Trustees, whole time directors/two directors in charge of day to day operations and persons authorized to deal in securities on behalf of company/firm/others.	Not applicable.
4	For foreign nationals, (allowed to trade subject to RBI and FEMA guidelines), copy of passport/PIO Card/OCI Card is mandatory.	Proof of Identity document duly attested by the entities authorized for the same as per SEBI Circular dated October 5, 2011 or authorised signatories as mentioned at point 1 above may be adequate in lieu of the passport copy.
5	For foreign entities, CIN is optional; and in the absence of DIN no. for the directors their passport copy should be given.	CIN no. is provided as an example and requires the client's registration number in its respective country. If the foreign entity does not have CIN, the equivalent registration number of the entity may be mentioned. If it does not have any registration number, then SEBI Registration number may be mentioned. In case the directors (as per point 3 above), of the client do not have an equivalent of DIN in the client's respective jurisdiction, "Not Applicable" may be stated. Copy of the Passport may not be provided.

6	It shall be mandatory for all the intermediaries addressed in this circular to carry out In person verification of their clients.	In person verification is not applicable for a non-individual Client. In case of QFI – Individual Client, IPV shall be carried out by SEBI registered intermediary as per SEBI Circular dated August 22, 2011.
7	Copies of all the documents submitted by the applicant should be self-attested and accompanied by originals for verification. In case the original of any document is not produced for verification, then the copies should be properly attested by entities authorized for attesting the documents, as per the list mentioned in the circular dated Aug 22, 2011.	In the absence of originals for verification, documents may be attested as per SEBI Circulars dated August 22, 2011 and October 5, 2011 or authorised signatories as mentioned at point 1 above.
8	<p>A. Copy of the balance sheets for the last 2 financial years (to be submitted every year), annual gross income and net worth details.</p> <p>B. Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD (to be submitted every year). POI and POA of individual promoters holding control - either directly or indirectly.</p>	<p>A. Though it is not mandatory, the intermediaries shall carry out due diligence as per the PMLA and SEBI Master Circular on AML about the financial position of the client.</p> <p>B. List of beneficial owners with shareholding or beneficial interest in the client equal to or above 25% to be obtained. If Global Custodian /Local Custodian provides an undertaking to submit these details, then intermediary may take such undertaking only.</p> <p>Any change in the list to be obtained based on risk profile of the client.</p>
9	Name, residential address, photograph, POI and POA of Partners/Trustees, whole time directors/two directors in charge of day to day operations and individual promoters holding control - either directly or indirectly.	<p>A. Not required if Global Custodian /Local Custodian gives an undertaking to provide the following documents as and when requested for by intermediary:</p> <p>1) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; and</p> <p>2) An officially valid document in respect of managers, officers or employees holding an</p>

		<p>attorney to transact on its behalf.</p> <p>B. If Global Custodian/Local Custodian does not provide such undertaking as stated in A above, intermediary shall take required details from Foreign Investors.</p>
10	Copy of SEBI registration certificate to be provided.	Custodian shall verify the SEBI registration certificate copy with the originals or with the details available on SEBI website and provide duly certified copy of such verified SEBI registration certificate to the intermediary.
11	Every client has to provide the trading account related details, as required by Annexure 3 to the SEBI circular dated August 22, 2011.	<p>Annexure 3 to the circular dated August 22, 2012 pertaining to trading account related details is not applicable for FIIs and Sub Accounts.</p> <p>However, Intermediaries are required to update details of any action taken or proceedings initiated against the entity by the foreign regulators or SEBI/ Stock exchanges.</p> <p>For QFI, the intermediary shall collect the following details from Annexure 3:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Bank Account details <input checked="" type="checkbox"/> Depository account <input checked="" type="checkbox"/> Regulatory Actions as mentioned above
12	Intermediary shall provide a set of all the executed documents to the client, free of charge.	Intermediary shall display these standard documents prescribed by SEBI on its web site, intimate the clients regarding the link and email a copy of the same to the client.
13	Place of incorporation	If place of incorporation is not available, Intermediary should take Registered office address/ principal place of business of entity.
14	Date of commencement of business	Not applicable
15	Copies of the Memorandum and Articles of Association and certificate of incorporation	If FII or Sub Account does not have certificate of Incorporation or Memorandum and Articles

		of Association, then any reasonable equivalent legal document evidencing formation of entity may be allowed.
16	Copy of the Board Resolution for investment in securities market	Not applicable.

Communication:

Each version of modified policy must be communicated to all staff and all associates person viz branch, Authorised Persons, Sub Brokers. This communication is mandatory in addition to the training session to be given to the staff and associates person from time to time.

Policy Approved

For Quantum Global Securities Ltd

Atul Narendra Malik

Director