

## **POLICY UNDER PREVENTION OF MONEY LAUNDERING ACT REQUIREMENTS**

### **1. Background**

Pursuant to the recommendations made by the Financial Action Task Force on Anti-Money laundering standards, SEBI had issued the Guidelines on Anti-Money Laundering Standards vide their Master Circular No. ISD/AML/CIR-1/2010 dated February 12, and vide Circular No. CIR/ISD/AML//2/2010 dated June 14, 2010. As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti-Money Laundering Standards notified by SEBI.

### **2. What is Money Laundering!**

Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true original of criminality derived proceeds and appears to have been received through legitimate sources/origins. This is done in three phases, as mentioned below ;

**Placement** - This is where the criminal proceeds are first-injected into the system. It is also the stage where those who are educated, briefed and alert to the process of money laundering, have the best chance of detecting what is happening and are thus best able to thwart and disrupt the process at the outset. At this stage, very often larger amounts of money are divided and distributed into smaller amounts to avoid suspicion and then paid into a series of bank accounts, arose to purchase securities, or life policies or other assets, sometimes many kinds of assets, all to achieve the prime purpose of being able to inject the tainted money or value into the legitimate mainstream financial/business system.

**Layering** - After the injection has taken place and the tainted money or value has entered and become mixed up in the main mass of money or value in the financial system, it is spun around different accounts, different names, different ownerships, plus different instruments and investments. All these movements are designed to disguise the origins of the money or value and thus confuse those who might be attempting to trace the money or value back to the root, criminal source.

**Integration-** Placing the laundered proceeds back into the economy in such a way that they re-enter the financial system as apparently legitimate funds. Integration means the reinvestment of those funds in an apparently legitimate business so that no suspicion of its origin remains and to give the appearance of legitimizing the proceeds

### **3. Prevention of Money Laundering Act, 2002**

Prevention of Money Laundering Act, 2002 ("PMLA" or "the Act") forms the core of the legal framework put in place by India to combat money laundering. PMLA and the Rules notified there under came into force with effect from July 1, 2005.

The PMLA and Rules notified there under impose an obligation on intermediaries (including Stock Brokers, Sub Brokers and Depository Participant) to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU)- INDIA

#### **4. Objectives of the PMLA**

- (i) To prevent, combat and control money laundering.
- (ii) To protect the Company from being used for money laundering
- (iii) To confiscate and seize the property obtained from the laundered money.
- (iv) Undertake periodic Customer Due Diligence measures which are sensitive to money laundering and terrorist financing risks.
- (v) To comply with applicable laws as well as norms adopted internationally with reference to money laundering.
- (vi) To deal with any other issue connected with money laundering in India.

IIT Investrust Limited ("IIT Investrust") is committed to adhering to guidelines prescribed by Securities and Exchange Board of India ("SEBI") in this regard.

#### **5. Policy of IIT INVESTRUST Ltd.**

IIT Investrust is fully committed to combat any effort of laundering money earned through drug trafficking, terrorism and any other means of organized and serious crimes by any individual or entity. Towards this, IIT Investrust has put in place all such processes and procedures of internal control aimed at preventing and impeding any attempt of money laundering and terrorist financing using the services offered by the group companies.

In order to comply with the said PMLA Policy and to establish an internal mechanism to identify potentially suspicious transactions and timely reporting to Financial Intelligence Unit, Ministry of Finance, we have a policy covering various broad areas as follows.

1. In-person verification done for opening beneficial owner's account by a DP.
2. Compliance with AML/CFT CDD directives of SEBI stipulated in Master Circular dated December 19, 2008.
3. Procedure to be followed for the freezing of assets of individual or entities engaged in terrorism
4. Framework for AML/CFT including procedures for CDD, client identification, record keeping & retention, monitoring and reporting of STRs.
5. Responsibility of stockbroker to ensure in-person verification by its own staff.
6. In-person verification to be carried out by staff of depository participant.

7. Proof of Identity (POI) and Proof of Address (POA) for opening a Beneficiary Owner (BO) Account for non-body corporates.
8. Mandatory requirement of PAN for participants transacting in the securities market.
9. Procedure for maintaining and preserving records, reporting requirements and formats of reporting cash transactions and suspicious transactions.
10. Uniform KYC documentary requirements for trading on different segments and exchanges.
11. Prohibition on acceptance/giving of cash by brokers and on third party transfer of securities.