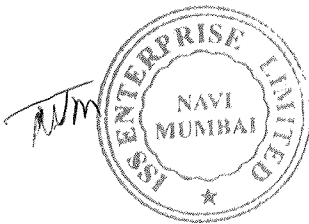
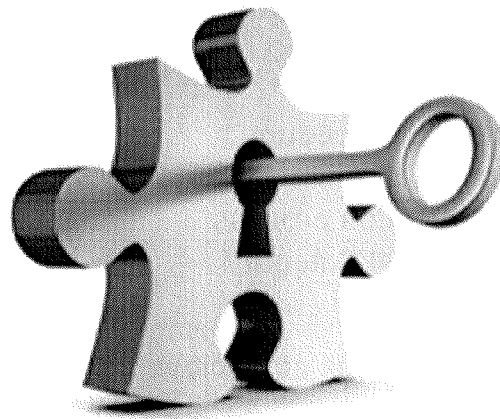




**ISS Enterprise Ltd.  
(Erstwhile: ISE Securities & Services Ltd.)**

**Policy Guidelines on 'Know Your Customer' norms and  
Anti-Money Laundering measures**

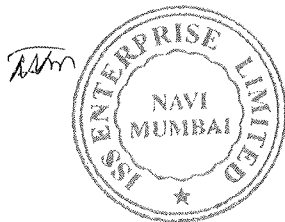
**(Revised on January 20, 2020)**



## Table of Contents



Sr. No.	Contents
1	Preamble
2	Background
3	Definition of Money Laundering
4	Obligations under Prevention of Money Laundering [PML] act 2002
5	Financial Intelligence Unit (FIU)
6	Policy Objectives
7	Scope
8	Client Acceptance Procedure
	8.1 Categorization of Client
	8.2 Client Identification process
	8.3 Clients of Special Category
9	Transaction monitoring
10	Procedure for determine suspicious transaction.
11	Reporting
12	Maintenance of records
13	Principal Officer & Designated Director Role & Responsibilities
14	Hiring of Employees and their Training
15	Investors Education
16	AML Team
17	Review of the Policy



## 1. Preamble

In terms of the guidelines issued by the Securities Exchange Board of India (SEBI) for both trading and demat accounts on Know Your Customer(KYC) standards and Anti Money Laundering(AML) measures, intermediaries (both brokers and depository participants) are required to put in place a comprehensive policy framework covering KYC Standards and AML Measures.

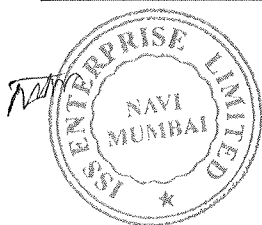
This policy document is prepared in line with the SEBI guidelines and in line with ISS Enterprise Ltd. (Erstwhile: ISE Securities & Services Ltd.) approach to customer identification procedures, customer profiling based on the risk perception and monitoring of transactions on an ongoing basis. The objective of this policy document is to prevent ISS Enterprise Ltd. (Erstwhile: ISE Securities & Services Ltd.) from being used, intentionally or unintentionally, by criminal elements for money laundering activities and for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to the law enforcement authorities.

## 2. Background

The Prevention of Money Laundering Act, 2002 came into effect from 1st July 2005. The necessary Notifications / Rules under the said Act were published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance and Government of India.

SEBI vide its circular dated 18th January 2006, required Market intermediaries to lay down policy framework for anti-money laundering measures to be followed. , being a Stock Broker and a Depository Participant needs to adhere to the same. SEBI has also issued a Master circular dated 19<sup>th</sup> December 2008, which consolidates all the requirements /obligations issued with regard to AML/CFT until December 15, 2008. These Guidelines lay down the minimum requirements / disclosures to be made with respect to clients.

**References: SEBI Circular no. CIR/MIRSD/1/2014 dated Mar 12, 2014, SEBI Circular no. CIR/MIRSD/2/2013 dated Jan 24, 2013 and SEBI Circular no. CIR/ISD/AML/3/2010 dated Dec 31, 2010), SEBI circular no- CIR/ MIRSD/ 1/ 2014 dated-March 12, 2014, SEBI circular no- CIR/ MIRSD/ 66/ 2016 dated-July 21, 2016, SEBI circular no- CIR/ IMD/ FPI&C/ 59/ 2016 dated-June 10, 2016, SEBI circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016), SEBI Master circular no- SEBI/ HO/ MRD/ DP/ CIR/ P/ 2016/ 134 dated December 15, 2016, SEBI vide circular no- CIR/ MIRSD/ 120 / 2016 dated November 10, 2016, SEBI vide circular- SEBI/ HO/ IMD/ FIIC/ CIR/ P/ 2017/ 068 dated June 30, 2017, SEBI vide circular SEBI/HO/MIRSD/DOP/CIR/P/2019/69 dated May 28, 2019, SEBI vide master circular**



SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated July 04, 2018, SEBI vide master circular-  
SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/113 dated-October 15, 2019.

RBI/2015-16/42 DBR.AML.BC.NO.15/14.01.001/2015-16 dated July 1 2015

### 3. Definition of Money Laundering

Section 3 of the Prevention of Money Laundering {PML} Act 2002 has defined the "offence of money laundering" as under:

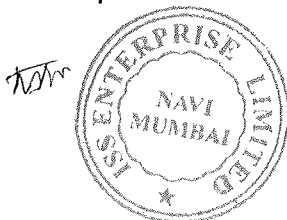
"Whoever directly or indirectly attempts to indulge or knowingly assists or knowingly is party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money laundering".

Money launders may use the broking system for cleansing 'money' earned through criminal activities with the objective of hiding/disguising its source. The process of money laundering involves creating a web of financial / trading transactions so as to hide the origin and true nature of these funds. Money launders also disguise the true source of funds by investing the funds earned out of terrorist / criminal activities through third party accounts.

This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

- Placement Phase- The physical disposal of cash proceeds derived from illegal activity.
- Layering Phase-Disguising illicit proceeds from their source by creating complex layers of financial transactions designed to hamper the audit trail, and provide anonymity to their owners.
- Integration Phase-Placing the laundered proceeds back into the economy in such a way that they re-enter the financial system appearing to be legitimate business funds.

Having identified these stages of the money laundering process, financial institutions are required to adopt procedures to guard against and report suspicious transactions that occur at any stage.



The ability to launder the proceeds of criminal activity through the financial systems of the world is vital of the success of criminal operations. Consequently India, as one of the world's emerging financial markets, has a vital role to play in combating money laundering. Banks, Financial Institutions, Mutual Funds, Brokers, Depositories, Portfolio Managers and Intermediaries becoming involved in money laundering offences could face prosecution under PMLA leading to reputation and other risks.

#### **4. Obligations under Prevention of Money Laundering [PML] act 2002**

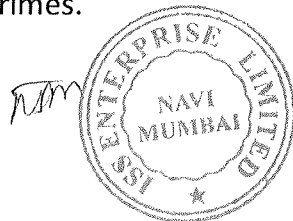
Section 12 of PML Act 2002 places certain obligations on every banking company, financial institution and intermediary which include (i) maintaining a record of prescribed transactions preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, for a period of five years from the date of the transaction between the client and the intermediary. (ii) Furnishing information of prescribed transactions to the specified authority.

**Transactions with the clients:** These requirements would come into effect after Govt. of India frames rules under the Act.

#### **5. Financial Intelligence Unit (FIU) – INDIA**

5.1. The Government of India set up Financial Intelligence Unit-India (FIU- IND) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

5.2. FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.





## 6. Policy Objectives

- a. To prevent criminal elements from using the ISS Enterprise Ltd. (Erstwhile: ISE Securities & Services Ltd.) Trading / demat system for money laundering activities.
- b. To enable ISS Enterprise Ltd. (Erstwhile: ISE Securities & Services Ltd.) to know / understand its customers and their financial dealings better, which in turn would help ISS Enterprise Ltd. (Erstwhile: ISE Securities & Services Ltd.) to manage risks prudently.
- c. To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.
- d. To comply with applicable laws and regulatory guidelines related to anti – money laundering.
- e. To take necessary steps to ensure that the concerned staff are adequately trained in KYC/AML procedures.

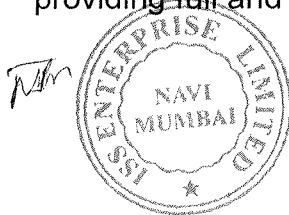
## 7. Scope: Client Due Diligence

This policy is applicable to all branches/offices / Authorized Persons of ISS Enterprise Ltd. (Erstwhile: ISE Securities & Services Ltd.) and is to be read in conjunction with related operational guidelines issued from time to time.

## 8. Client Acceptance Procedures

Considering the potential threat of usage of the financial services by a money launderer, it is essential to make reasonable efforts to determine the true identity of clients. ISS has to put in place effective procedures to obtain requisite details for proper identification of new customers.

1. ALL KYC Documentations and Procedures shall be followed at the time of Account opening and no account shall be opened where ISS is unable to apply appropriate CDD measures/KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, or the information provided to the intermediary is suspected to be non genuine or there is perceived non cooperation of the client in providing full and complete information.





2. The submission of all documents required under this policy shall be pre-requisite for account opening for all clients. Incomplete application including incomplete documentation will be rejected. ISS will follow the industry standard for implementing client identification procedure.

3. The authorized official of ISS or Sub-broker shall personally verify the Photograph of the client affixed on the Account Opening Form [AOF) and the proof of identity documents with the person concerned. The authorized official who has done in person verification and verified the documents with original should also sign on the proof. Each original document shall be seen prior to acceptance of copy. Stamp of "documents verified with originals" must be affixed along with the signature of the authorized person.

4. In case of any discrepancy or non-provision of information by the client, ISS shall seek necessary clarification from the applicant and activate the account only when the discrepancy is resolved or the deficiency is fulfilled. For e.g. Cases where names mentioned on the AOF (Account Opening Form) and that on the PAN Card do not match etc.

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

(A) The PAN Card details should be verified with the name(s) appearing on

the website of the Income Tax Department, <http://incometaxindiaefiling.gov.in/challan/enter>

[panforchallan.jsp?pAction=Post](#). In case the name(s) do not match or the PAN Card details are not present in the PAN Card database, ISS should seek necessary clarification from the applicant(s) and activate the account only when the discrepancy is resolved.

(B) ISS refer the list of the person who have been debarred by SEBI, NSE & BSE on regular basis and ensure that no client's application is accepted if the name of such client falls in the list of debarred person maintained by ISS.

(C) Precaution shall be taken as far as possible before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide provided appropriate information is available to identify a person based on PAN number/address/any other appropriate information is

