

Policy & Procedure on Anti Money Laundering

1. Overview

The Directives as outlined below to provide a general background and summary of the main provisions of the applicable anti-money laundering and anti-terrorist financing legislations in India. They also provide guidance on the practical implications of the Prevention of Money Laundering Act, 2002 (PMLA). The Directives also set out the steps that a registered intermediary or its representatives shall implement to discourage and to identify any money laundering or terrorist financing activities.

These Directives are intended for use primarily by intermediaries registered under the Securities and Exchange Board of India Act, 1992 (SEBI Act), Stock Exchanges, Depositories and other recognised entities under the SEBI Act and Regulations and rules thereunder. While it is recognized that a "one-size-fits-all" approach may not be appropriate for the securities industry in India, each registered intermediary shall consider the specific nature of its business, organizational structure, type of clients and transactions, etc. when implementing the suggested measures and procedures to ensure that they are effectively applied. The overriding principle is that they shall be able to satisfy themselves that the measures taken by them are adequate, appropriate and abide by the spirit of such measures and the requirements as enshrined in the PMLA.

2. Background

The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July 2005 and it provides for Anti-money Laundering and Anti-terrorist Financing measures to be taken in India and the rules framed there under provides guidance on the practical implementation of the provisions laid down in the Act. The Director appointed by Financial Intelligence Unit-INDIA (FIU-IND) has been conferred with exclusive and concurrent powers under relevant sections of the Act to implement its provisions. The Act imposes an obligation on banking companies, financial institutions and intermediaries associated with the securities market and registered with the Securities and Exchange Board of India (SEBI) under section 12 of SEBI Act, 1992. The stock brokers fall under the category of intermediaries under section 12 of SEBI Act, 1992, and hence the provisions of PMLA are also applicable to all the stock brokers. Establishment of Anti-money Laundering programs by Market Intermediaries are one of the central recommendations of the Financial Action Task Force (FATF). SEBI has issued necessary directives from time to time vide its circulars covering issues related to Know



Your client (KYC) norms, Anti Money Laundering (AML), Client Due Diligence (CDD) and Combating Financing of Terrorism (CFT). This policy document is based on the SEBI's master circular on PMLA bearing reference no. ISD/AML/CIR-1/2010 dated February 12, 2010 and subsequent circular bearing reference no. CIR/ISD/AML/2/2010 dated June 14, 2010, which consolidates requirements/obligations to be fulfilled by all the registered intermediaries. This policy will be subject to changes in order to incorporate further directives that SEBI may give vide its circulars on PMLA, from time to time.

3. Introduction

The Prevention of Money Laundering Act, 2002 (PMLA) was enacted to prevent money laundering and to provide for the confiscation of property derived from money laundering activities. The Securities and Exchange Board of India (SEBI) has mandated compliance with PMLA provisions for all registered intermediaries such as stockbrokers, mutual funds, depository participants, and portfolio managers.

This policy outlines the procedures and obligations of **Parwati Capital Market Pvt. Ltd.** to comply with the PMLA and SEBI's Anti-Money Laundering (AML) guidelines.

As **Parwati Capital Market Pvt Ltd.** is not dealing with Clients but if in near future company decides for client trading all effective PMLA mechanisms from the Exchange & SEBI will be taken care and will be implemented.

4. Policies and Procedures to Combat Money Laundering and Terrorist Financing

- Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc. whether in branches, departments or subsidiaries;
- Client acceptance policy and client due diligence measures, including requirements for proper identification;
- Maintenance of records;
- Compliance with relevant statutory and regulatory requirements;
- Co-operation with the relevant law enforcement authorities, including the timely disclosure of information;



- Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff, of their responsibilities in this regard; and,
- The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors.

4.1.1 Each registered intermediary shall adopt written procedures to implement the anti-money laundering provisions as envisaged under the PMLA. Such procedures shall include inter alia, the following four specific parameters which are related to the overall 'Client Due Diligence Process':

- i. Policy for acceptance of clients;
- ii. Procedure for identifying the clients;
- iii. Risk Management;
- iv. Monitoring of Transactions.

5. Objectives

- To prevent misuse of financial markets for money laundering and terrorist financing.
- To comply with applicable PMLA and SEBI guidelines.
- To conduct due diligence on clients and monitor transactions effectively.
- To report suspicious activities to the appropriate regulatory authorities.
- To train employees on AML/CFT (Combating the Financing of Terrorism) compliance.

5. Customer Due Diligence (CDD) & Know Your Customer (KYC) Procedures

5.1 The CDD shall have regard to the money laundering and terrorist financing risks and the size of the business and shall include policies, controls and procedures, approved by the



senior management, to enable the reporting entity to manage and mitigate the risk that have been identified either by the registered intermediary or through national risk assessment.

5.2 Client Identification

- i. Identify the clients, verify their identity using reliable and independent sources of identification, obtain information on the purpose and intended nature of the business relationship, where applicable;

Parwati Capital Market Pvt. Ltd. shall implement a comprehensive KYC process before onboarding any client. The following details must be collected and verified:

- **Individual Clients:** PAN, Aadhaar, proof of identity, proof of address, financial details, occupation, and risk category.
- **Non-Individual Clients:** Registration certificates, partnership deeds, list of directors/partners, authorized signatories, and beneficial ownership details.

5.2 Risk Profiling of Clients

I. Determine the category of the client on the following parameters:

- Category A – Low Risk Clients
- Category B – Medium Risk Clients
- Category C – High risk Clients
- Category D --Special Clients

Category A- These are clients with low or nil risk. For e.g. Good corporates/HNIs having a Respectable social and financial standing.

Category B - Intra-day clients or speculative clients

Category C -- Clients with suspicious background do not have any financial status, etc.

Category D – Non-resident clients, high net worth clients, trust, charities, NGOs and organizations receiving donations, companies having close family shareholdings or beneficial ownership, politically exposed persons (PEP) of foreign origin, companies offering foreign exchange offerings, clients in high risk countries, non-face to face clients, clients with dubious reputation as per public information available and any other clients as classified



5.3 Enhanced Due Diligence (EDD)

For high-risk clients, additional verification will be conducted, including:

- Source of wealth verification.
- Ongoing monitoring of high-value transactions.
- Senior management approval for onboarding.

6. Risk-Based Approach (RBA)

A Risk-Based Approach will be followed to assess and mitigate money laundering risks. Transactions will be monitored based on client profile and trading behavior. Unusual activities will be flagged for further scrutiny.

7. Risk Assessment

Registered intermediaries 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

8. Monitoring & Reporting of Suspicious Transactions

8.1 Ongoing Transaction Monitoring

- Continuous monitoring of transactions to detect unusual or suspicious activities.
- Analysis of trading patterns, fund sources, and transaction anomalies.

8.2 Reporting to Regulatory Authorities

- **Suspicious Transaction Reports (STRs):** Unusual transactions will be reported to the Financial Intelligence Unit - India (FIU-IND).
- **Cash Transaction Reports (CTRs):** Transactions exceeding ₹10 lakhs in cash will be reported.
- **Combating Terrorist Financing (CFT):** Ensuring no transactions with individuals/entities listed under the United Nations or Indian government sanctions.

8. Record Keeping & Retention

Parwati Capital Market Pvt. Ltd. shall maintain records of:

- Client identification and KYC documents for **at least 5 years**.
- Transaction history and STRs for **at least 5 years** post-termination of account.
- Audit logs of compliance reviews.





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9. Employee Training & Awareness

Regular AML training sessions shall be conducted for employees to:

- Educate staff on AML/CFT regulations.
- Enable employees to identify suspicious transactions.
- Ensure strict confidentiality in handling client information.

10. Internal Controls & Compliance

- **Principal Officer Mr Sarad Daga** will be designated to oversee AML compliance and act as the point of contact with FIU-IND.
- An **internal audit system** will periodically review AML measures and report discrepancies to senior management.
- An independent testing mechanism will ensure effective AML framework implementation.

11. Penalties & Disciplinary Actions

Non-compliance with PMLA and SEBI guidelines may result in:

- Regulatory penalties and legal consequences.
- Suspension or termination of client accounts involved in suspicious activities.
- Disciplinary action against employees found violating AML policies.

12. Review & Updates

This policy shall be reviewed and updated periodically to comply with changes in regulatory requirements and emerging risks in money laundering activities.

