



PMLA POLICY

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**AETRAM TRADES
PRIVATE LIMITED**

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SEBI Registration No: INZ000309838
Trading Member ID -
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Prevention of Money Laundering Act 2002. (PMLA)

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 notification No. ISD/CIR/RR/AML/1/06 dated 18th January 2006 and vide letter no. ISD/CIR/RR/AML/2/06 dated 20th March 2006 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. 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.

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 origin of criminally derived proceeds and appears to have been received through legitimate sources/origins.

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

Prevention of Money Laundering Act, 2002

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

The PMLA2002 and Rules notified there under impose an obligation on intermediaries (including stock brokers and sub- brokers) to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU) - INDIA

Financial Intelligence Unit (FIU) -INDIA

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.

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.

1. OBJECTIVE & POLICY

Primary objective of our firm would be 'Prevention of money laundering through designated brokers, intentionally or unintentionally by criminal elements'. It is the policy of our firm to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities.

2. PRINCIPAL OFFICER APPOINTMENT & DUTIES

Our firm has designated Mr. S. Pradeep Kumar as the principal officer and intimated the authority vide letter dated 18/02/2022, there by complying with the procedure of designating a sufficiently senior person as 'Principal Officer' as required under the Prevention of Money Laundering Act. The principal officer will promptly notify Financial Intelligence Unit (FIU) of any change to the details of our firm. The principal officer will also ensure maintenance of proper records and filing of records with FIU, whenever required.

3. APPOINTMENT OF DIRECTOR:

(Director – Mr. DINESHKUMAR GURUSAMY appointed on 18/02/2022 by the company)

i) In addition to the existing requirement of designation of a principal officer, the registered intermediaries shall also designate a person as a "Designated Director". In terms of Rule 2 (ba) of the PMLA Rules, the definition of a designated director reads as under: Designated director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and rules and includes:

- The managing director or a whole time director duly authorized by the board of directors if the reporting entity is a company
- The managing partner if the reporting entity is a partnership firm
- The proprietor if the reporting entity is a proprietorship firm
- The managing trustee if the reporting entity is a trust
- A person or individual as the case maybe, who controls and manages the affairs of the reporting entity is an unincorporated association or a body of individuals, and
- Such other person or class of persons as may be notified by the government if the reporting entity does not fall in any of the categories above.
- In terms of Sec 13(2) of the PMLA act (as amended by the PMLA Act -2012) the director, FIU-IND cantake appropriate action, including levying of monetary penalty, on the Designated Director for the failure of the intermediary to comply with any of its AML/CFT obligations.
- Registered intermediaries shall communicate the details of the designated Director, such as, name, designation, and address to the office of the Director, FIU-IND.

4. KNOW YOUR CUSTOMER STANDARDS

Our KYC policy incorporates the following four elements:

- **Customer Acceptance Policy (CAP)**
- **Customer Identification Procedures (CIP)**
- **Client due diligence (CDD)**
- **Monitoring of Transactions; and**
- **Risk Management**

I. CUSTOMER Acceptance Policy (CAP)

The following points are kept in mind before accepting the KYC form of a probable client

- No account shall be opened in anonymous or fictitious/benami name(s)
- Parameters of risk perception shall be clearly defined in terms of the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status etc., to enable

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Categorization of customers in to low, medium and high risk; Customers requiring very high level of monitoring e.g., Politically Exposed Persons (PEPs) may be categorized under Very High Risk.

The risk to the customer shall be assigned on the following basis:

Low Risk

Individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile may be categorized as low risk. The illustrative examples of low risk customers could be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover, Government Departments and Government owned companies, regulators and statutory bodies etc. In such cases, only the basic requirements of verifying the identity and location of the customer shall be met.

Medium Risk

Customers that are likely to pose a higher than average risk to the broker may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc.; such as

- Persons in business/industry or trading activity where the area of his residence or place of business has a scope or history of unlawful trading/business activity.
- Where the client profile of the person/s opening the account, according to the perception of the branch is uncertain and/or doubtful/dubious.

High Risk

The dealers may apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear. The examples of customers requiring higher due diligence may include

- a) Companies having close family shareholding or beneficial ownership
- b) Firms with 'sleeping partners'
- c) Politically Exposed Persons (PEPs) of foreign origin
- d) Non-face to face customers, and
- e) Those with dubious reputation as per public information available, etc.

Clients of special category (CSC)

Such clients include the following

- a. Nonresident clients
- b. High net worth clients
- c. Trust, Charities, NGOs and organizations receiving donations
- d. Companies having close family shareholdings or beneficial ownership
- e. Politically exposed persons (PEP) of foreign origin
- f. 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)
- g. Companies offering foreign exchange offerings
- h. 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

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International terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.

i. Non face-to-face clients

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

The above-mentioned lists only illustrative and we have to exercise independent judgment to ascertain whether new clients should be classified as CSC or not.

- The dealers shall collect documents and other information from the customer depending on perceived risk and keeping in mind the requirements of AML Act, 2002 and guidelines issued by RBI from time to time.
- The dealers shall close an existing account or shall not open a new account where at is unable to apply appropriate customer due diligence measures i.e., branch is unable to verify the identity and/or obtain documents required as per the risk categorization due to non-cooperation of the customer or non-reliability of data/information furnished to the branch. The dealers shall, however, ensure that these measures do not lead to the harassment of the customer. However, in case the account is required to be closed on this ground, the dealers shall do so only after permission of Senior Official of their concerned Offices is obtained. Further, the customer should be given a prior notice of at least 20 days wherein reasons for closure of his account should also be mentioned.
- The dealers shall make necessary checks before opening a new account so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorist so terrorist organizations etc. RBI has been circulating lists of terrorist entities notified by the Government of India so that brokers exercise caution against any transaction detected with such entities. The dealers shall invariably consult such lists to ensure that prospective person/s or organizations desirous to establish relationship with the broker are not in any way involved in any unlawful activity and that they do not appear in such lists.
- The dealers shall prepare a profile for each new customer based on risk categorization. The broker has devised a revised Composite Account Opening Form for recording and maintaining the profile of each new customer. Revised form is separate for Individuals, Partnership Firms, Corporate and other legal entities, etc. The nature and extent to due diligence shall depend on the risk perceived by the dealer. The dealers should continue to follow strictly the instructions issued by the broker regarding secrecy of customer information. The dealers should be in mind that the adoption of customer acceptance policy and its implementation does not become too restrictive and should not result in denial of brokering services to general public, especially to those, who are financially or socially disadvantaged.

Risk based approach:

Classify both the new and existing clients into high, medium or low risk category depending on parameters such as the customer's background, type of business relationship, transactions etc. Members should apply each of the customers due diligence measures on a risk sensitive basis and adopt an enhanced customer due diligence process for high-risk categories of customers and vice-à-versa.

CUSTOMER Identification Procedure (CIP)

The following table will be referred for customer identification and verification procedure:

Client's- Constitution	Proof of identity	Proof of Address	Others
Individual	Pan card	Copy of bank Statement etc.	N.A
Company	Pan card Certificate of Incorporation Memorandum & Articles	As Above	Proof of Identity of Directors/others authorized to trade
Partnership Firm	Pan Card Registration certificate partnership deed	As above	Proof of Identity of partners/others authorized to trade
Trust	Pan Card Registration certificate Trust deed	As above	Proof of Identity of trustees/others authorized to trade
AOP/BOI	Pan Card Resolution of Management Certificate of legal Existence	As above	Proof of Identity of persons/others authorized to trade

Notes:

- All Pan cards to be verified from Income Tax/ NSDL sites before the account is opened
- If a potential customer refuses to provide the above details or willfully provides misleading details, then our firm will not open the trading account.
- Client records will be maintained for 5 years after closure of Trading account of any client
- Reluctance on the part of the client to provide necessary information or cooperate in verification process could generate a red flag for the member for additional monitoring.

Necessary checks and balance to be put into place 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.

(g) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

The client should 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.

Sufficient information shall be obtained in order to identify persons who beneficially own or control securities/Commodities account. If it is apparent that the securities/Commodities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures.

Customer Due Diligence Process (CDD)

New customer acceptance procedures adopted include following processes:

- a. Customer identification and verification depending on nature /status of the customer and kind of transactions that are expected by the customer.
- b. False /incorrect identification of documents.
- c. Client should remain present for registration personally.
- d. Compliance with guidelines issued by various regulators such as SEBI, RBI, etc.
- e. Establishing identity of the client, verification of addresses, phone numbers and other details.
- f. Obtaining sufficient information in order to identify persons who beneficially own or control the trading account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by entity other than the client.
- g. All PAN Cards received will verified form the Income Tax/NSDL website before the account is opened
- h. Checking original documents before accepting a copy.
- i. Asking for any additional information as deemed fit on case to case basis to satisfy about the genuineness and financial standing of the client.
- j. Whether the client has any criminal background, whether he has been at any point of time been associated in any civil or criminal proceedings anywhere.
- k. Checking whether at any point of time he has been banned from trading in the stock market.

Or existing client's processes include:

- a. Review of KYC details of all the existing active clients in context to the PMLA 2002 requirements.
- b. Classification of clients into high, medium or low risk categories based on KYC details, trading activity etc.
- c. Obtaining of annual financial statements from all clients, particularly those in high risk categories.
- d. In case of non-individuals additional information about the directors, partners, dominant promoters and major shareholders is obtained

Clients Risk Categorization			
At the time of Account Opening			
Low Risk Category	Medium Risk Category	High Risk Category	Client of Special Category
1. Salaried Individual 2. Public Limited Companies	Private Limited Co 1. Trusts, NGO's 2. Non Salaried Individual 4. NRIs/ HNIs 5. Closely held public companies with less than 50 members 6. Partnership firms	1. Politically Exposed Person 2. Non face to face clients 3. Firm with sleeping partners 4. Terror List of Clients as per SEBI AML circular 5. Clients with dubious reputation as per public Information available	1. NRI 2. HNIs 3. Trust, Charities, NGO 4. Companies having close family shareholding or beneficial ownership 5. Politically Exposed person 6. Non face to face clients 7. Clients with dubious reputation as per public Information available
	Ongoing	Ongoing	
	1. Change of Email ID/ Mobile No more than 3 times in a F.Y 2. Multiple accounts opened by same Client / Family	1. Change of Address made more than 3 times in a FY 2. Change of bank accounts more than 10 times in a FY 3. Sudden spurt in volume as per alerts sent by exchange not supported by sufficient collateral 4. Frequent transactions within the family account / self	

Additional due diligence is carried out in respect of high and medium risk clients are as under:

Application of each of the customers' due diligence measures on a risk sensitive basis and adoption of an enhanced customer due diligence process for high and medium risk categories of customers and vice-à-versa.

Following Risk based procedures are adopted for High and Medium Risk clients:

1. Substantial increase in activity without any apparent cause.
2. Transactions with no apparent economic or business rationale.
3. Sudden activity in dormant accounts;
4. Source of funds are doubtful or inconsistency in payment pattern;
5. Unusual and large cash deposits made by an individual or business;
6. Transfer of investment proceeds to apparently unrelated third parties;
7. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;

8. Purchases made on own account transferred to a third party through off market transactions through DP Accounts;
9. Suspicious off market transactions;
10. Large deals at prices away from the market.

5. RECORD MAINTENANCE: RECORD KEEPING/ RETENTION OF RECORDS /FREEZING OF RECORDS:

The principal officer should maintain such records that 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.

Should there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, registered intermediaries should retain the following information for the accounts of their customers in order to maintain a satisfactory audit trail:

- (a) the beneficial owner of the account;
- (b) the volume of the funds flowing through the account; and
- (c) for selected transactions:
 - the origin of the funds;
 - the form in which the funds were offered or withdrawn, e.g. fund, cheques, etc.;
 - the identity of the person undertaking the transaction;
 - the destination of the funds;
 - the form of instruction and authority.

Registered Intermediaries should ensure that all customer and transaction records and information are available on a timely basis to the competent investigating authorities. Where appropriate, they should consider retaining certain records, e.g. customer identification, account files, and business correspondence, for periods which may exceed that required under the SEBI Act, Rules and Regulations framed there-under PMLA 2002, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

More specifically, all the intermediaries shall put in place a system of maintaining proper record of transactions prescribed under Rule 3, notified under the Prevention of Money Laundering Act (PMLA), 2002 as mentioned below:

- (i) All fund transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
 - (ii) All series of fund 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;
 - (iii) All fund transactions where forged or counterfeit currency notes or banknotes have been used as genuine and where any forgery of a valuable security has taken place;
 - (iv) All suspicious transactions whether or not made in fund and by way of as mentioned in the Rules.
- Intermediaries are required to maintain and preserve the following information in respect of transactions

Referred to in Rule 3 of PMLA Rules:

- i. the nature of the transactions;

- II. the amount of the transaction and the currency in which it denominated;
- III. the date on which the transaction was conducted; and
- IV. the parties to the transaction.

Retention of Records

Intermediaries should take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PMLA Rules have to be maintained and preserved for a period of 8 years from the date of cessation of the transactions between the client and intermediary.

As stated in para 5.5, intermediaries are required to formulate and implement the client identification program containing the requirements as laid down in Rule 9 and such other additional requirements that it considers appropriate. The records of the identity of clients have to be maintained and preserved for a period of ten years from the date of cessation of the transactions between the client and intermediary.

Thus the following document retention terms should be observed:

- (a) All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period prescribed under the relevant Act (PMLA, 2002 as well SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars.
- (b) Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the same period. In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.

6. BENEFICIAL OWNERSHIP

OBJECTIVE:

The primary objective of this policy is to ensure that we are aware as to who is the ultimate Beneficiary of the transaction and that the transactions executed, through the mandate holder is bona fide.

It is possible that some of the individual clients might appoint a mandate holder. Normally the trading account is opened in the name of various family members but one of the family members can hold the mandate. Also, in case of some NRI clients who are based abroad, there may be on a POA/Mandate in favor of a person residing in India.

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Whenever any account is operated by a mandate holder, find out the relationship of the mandate holder with the client, followed by establishing the identity of the mandate holders by obtaining proof of identity and address. We should not accept any payment from the account of mandate holder in favor of the client. All the payments have to be received from the client's bank account only for which the POA holder may or may not have the mandate to operate the bank account. Similarly pay-out cheques should be issued only in the name of the client and not in the name of the mandate holder. In case there is suspicion on the relationship between the mandate holder and the actual client or in case the behavior of the mandate holder is suspicious, do take necessary advice from the Business Head.

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Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, we should 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.

Explanation: 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 (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.

Explanation: 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 (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official. Where the client is a trust, we should identify the beneficial owners of the client and take reasonable

Measures to verify the identity of such persons, thought he 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. 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 listed company, it is not necessary to identify and verify the identity of the beneficial owner of such companies.

POLICY COMMUNICATION:

A copy of this policy shall be made available to all the relevant staff of BackOffice, RMS, Compliance Officer, and other stakeholders for their information and any change should be communicated to them.

7. LIST OF DESIGNATED INDIVIDUALS/ENTITIES

An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>. Registered intermediaries are directed to ensure that accounts are not opened in the name of anyone whose name appears in said list. Registered intermediaries shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to SEBI and FIU-IND.

8. PROCEDURE FOR FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES:

Section 51A, of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of Section 51A of the UAPA. Under the aforementioned Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. The obligations to be followed by intermediaries to ensure the effective and expeditious implementation of said Order has been issued vide SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009, which needs to be complied with scrupulously.

09. MONITORING & REPORTING OF SUSPICIOUS TRANSACTIONS:

Ongoing monitoring of accounts is an essential element of an effective Anti-Money Laundering framework. Such monitoring should result in identification and detection of apparently abnormal transactions, based on laid down parameters. Members should devise and generate necessary reports/alerts based on their clients' profile, nature of business, trading pattern of clients for identifying and detecting such transactions. These reports/alerts should be analyzed to establish suspicion or otherwise for the purpose of reporting such transactions.

A list of circumstances, which may be in the nature of suspicious transactions, is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:

- i) Clients whose identity verification seems difficult or clients appear not to cooperate
- ii) Substantial increase in activity without any apparent cause
- iii) Large number of accounts having common parameters such as common partners / directors / promoters / address / email address / telephone numbers / introducers or authorized signatories;
- iv) Transactions with no apparent economic or business rationale
- v) Sudden activity in dormant accounts;
- vi) Source of funds are doubtful or inconsistency in payment pattern; vii) Unusual and large fund deposits made by an individual or business; viii) Transfer of investment proceeds to apparently unrelated third parties;
- ix) Multiple transactions of value just below the threshold limit specified in PMLA so as to avoid possible reporting;
- x) Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks / financial services, businesses reported to be in the nature of export-import of small items.;
- xi) Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing / business activity;
- xii) Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
- xiii) Clients transferring large sums of money to or from overseas locations with instructions for payment

in fund;

- xiv) Purchases made on own account transferred to a third party through off market transactions through DP Accounts;
- xv) Suspicious off market transactions;
- xvi) Large deals at prices away from the market.
- xvii) Accounts used as 'pass through'. Where no transfer of ownership of securities/Commodities or trading is occurring in the account and the account is being used only for funds transfers/layering purposes.
- xviii) Trading activity in accounts of high risk clients based on their profile, business pattern and industrysegment.

Broad categories for reason of suspicion are given below:

- Suspicious criminal background of the client
- Multiple accounts having common account holder or introducer or authorized signatory with no rationale
- Unusual activity in dormant accounts or in aberration to past activities
- Source of funds are doubtful
- Appears to be case of insider trading
- Suspicious off-market transactions
- Value of transaction being inconsistent to client's financial standing

The intermediary shall pay special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose. The intermediary may specify internal threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits. The background including all documents/office records/memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/stock exchanges/FIUIND/other relevant Authorities, during audit, inspection or as and when required. These records are required to be preserved for ten years as is required under the PMLA.

10. REPORTING OF SUSPICIOUS TRANSACTIONS TO FIU IND

Processes for alert generation, examination and reporting should include

- Audit trail for all alerts generated till they are reported to FIU / closed
- Clear enunciation of responsibilities at each stage of process from generation, examination, recording and reporting
- Escalation through the organization to the principal officer designated for PMLA
- Confidentiality of STRs filed
- Retention of records

All fund transaction requiring reporting will be done in CTR format and in the manner and at intervals prescribed by FIU IND.

We will make a note of all transactions that have not been explained to the satisfaction of our principal officer and thereafter report the same to FIU IND.

Wherever we have reason to suspect any criminal activity, illegal activity, activity involving evasion of PMLA regulations and unlawful business activity, then the same would be tracked and reported promptly.

As and when any suspicious transactions or any transaction whether within the permissible regulation limits but constituting an anomaly would be tracked and reported to FIU/BSE/SEBI/CDSL or concerned regulatory bodies.

For CDSL-“BIng024900_fui” file should be monitored for abnormal DP transactions on fortnightly basis or as and when received from CDSL. Any aberrations should be noted. Possibility of fraudulent or suspicious trades should be traced, inquired for and then reported to the concerned authority.

In terms of the PML Rules, intermediaries are required to report information relating to fund and suspicious

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transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND, Financial Intelligence Unit - India 6th Floor, Tower-2, Jeevan Bharati Building, Connaught Place, New Delhi-110001, INDIA Telephone : 91-11-23314429, 23314459 91-11-23319793(Helpdesk) Email:helpdesk@fiuindia.gov.in Website: <http://fiuindia.gov.in>

Intermediaries shall carefully go through all the reporting requirements and formats enclosed with this circular. These requirements and formats are divided into two parts- Manual Formats and Electronic Formats. Details of these formats are given in the documents (fund Transaction Report- version 1.0 and Suspicious Transactions Report version 1.0) which are also enclosed with this circular. These documents contain detailed directives on the compilation and manner/procedure of submission of the manual/electronic reports to FIU-IND. The related hardware and technical requirement for preparing reports in manual/electronic format, the related data files and data structures thereof are also detailed in these documents. Intermediaries, which are not in a position to immediately file electronic reports, may file manual reports with FIU-IND as per the formats prescribed. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, intermediaries shall adhere to the following:

The fund Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month. The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether fund, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion. The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND; Utmost confidentiality shall be maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address. No nil reporting needs to be made to FIU-IND in case there are no fund/suspicious transactions to be reported. Intermediaries shall not put any restrictions on operations in the accounts where an STR has been made. Intermediaries and their directors, officers and employees (permanent and temporary) shall be prohibited from disclosing ("tipping off") the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level. It is clarified that the registered intermediaries, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime. Intelligence Unit (FIU) of any change to the details of our firm. The principal officer will also ensure maintenance of proper records and filing of records with FIU, whenever required.

11. AML RECORD KEEPING:

i. STR Maintenance and confidentiality

Confidentiality of STRs and other supporting documents will be maintained. Only law enforcement or regulatory authorities need be informed about it. Any request for STR information would not be entertained and request will be informed to FIU IND immediately. Separate filing for STRs will be maintained. Principal Officer will handle all requests related to it.

ii. Responsibility for AML records and SAR filing Principal Officer will in charge of record keeping of STRs.

iii. Records required

As part of our AML program, our firm will create and maintain STRs and CTRs and other relevant documentation about customer identity/verification. Such records will be maintained for at least 8 years.

12. HIRING OF EMPLOYEES

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The registered intermediaries shall have adequate screening procedures in place to ensure high standards when hiring employees. They shall 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.

13. ONGOING TRAINING TO EMPLOYEES

Principal Officer would be responsible to impart necessary training to employees. Employees will be sensitized of the requirements under PMLA and the procedures laid down by the member. It will be ensured that all the operating and management staff fully understands their responsibilities under PMLA for strict adherence to customer due diligence requirements from establishment of new accounts to transaction monitoring and reporting suspicious transactions to the FIU. Annually, training programs would be imparted wherever required for new staff, front-line staff, sub-brokers, supervisory staff, controllers and product planning personnel, etc. Training may include written materials like pamphlets, audio/video cds, in-person lectures and professional seminars. Employees of the compliance department should be asked to attend BSE/NSE/CDSL Compliance training program.

14. AUDIT/TESTING OF ANTI MONEY LAUNDERING PROGRAM.

The Anti Money Laundering program will be subjected to periodic audit specifically with regard to testing its adequacy to meet the compliance requirements. An internal auditor or any qualified professional will do the audit/testing. The report of such an audit/testing should be placed before the senior management for making suitable modifications/improvements in the AML program.

15. EMPLOYEE CONDUCT AND ACCOUNTS

Employees conduct and accounts would be subjected to scrutiny under the principal officer. Supervisors and managers performance will be annually reviewed. In turn, principal officer's accounts and performance will be reviewed by Board of directors.

16. CONFIDENTIAL REPORTING OF AML NON-COMPLIANCE

Any violation of firm's AML program should be reported to the principal officer, unless the violation implicates Principal Officer himself, in that case, the report should be forwarded to chairman of the board. Reports should be confidential and employee will face no retaliation for doing so.

17. INVESTOR EDUCATION

Implementation of AML/CFT measures requires intermediaries to demand certain information from investors which may be of personal nature or has hit her to 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 client with regard to the motive and purpose of collecting such information.

There is, therefore, a need for intermediaries to sensitize their clients about these requirements as the ones emanating from AML and CFT framework. Intermediaries shall prepare specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT program.

18. RELIANCE ON THIRD PARTY FOR CARRYING OUT CLIENT DUE DILIGENCE (CDD)

Registered intermediaries may rely on a third party for the purpose of

- (a) Identification and verification of the identity of a client and
- (b) Determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and Record-keeping requirements in line with the obligations under the PML Act. Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. Further, it is clarified that the registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

19. RISK ASSESSMENT

We have additionally carried 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 and accessed at 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.

20. 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 (ISI) 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.

21. AMENDMENT TO GAZETTE NOTIFICATION DATED JUNE 01, 2017 AND DECEMBER 13, 2017:

As per Gazette Notification Dated December 13, 2017, To provide for submission of Aadhaar Number, Where The Client Enters Into an Account Based Relationship with Reporting Entity And To Revise The Existing Timelines For Submission of Aadhaar Number To March 31, 2018 or Six Months From The Date Of Commencement Of Account Based Relationship By The Client, Whichever Is Later.

In Case Of Failure to Submit the Documents within the Aforesaid Time limit, The Account Shall Cease to Be Operational Till the Time Aadhaar Number Is Submitted by the Client.

In pursuance of clause (a) and clause (c) of sub-rule (17) of rule 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, the Central Government hereby notifies the 31st March, 2018 or six months from the date of commencement of account based relationship by the client, whichever is later, as the date of submission of the Aadhaar Number, and Permanent Account Number or Form 60 by the clients to the reporting entity.

22. SURVEILLANCE ALERT:

TRADING

1. Background:

Surveillance is the process of collecting and analyzing information concerning markets in order to detect unfair transactions that may violate securities related laws, rules and regulations. In order to achieve this and to create safer markets, **AETRAM TRADES PRIVATE LIMITED** would have in place adequate surveillance policies and system in order to monitor suspicious/manipulative transactions and curb such activities, if any.

2. Objective:

In order to facilitate an effective surveillance mechanism to monitor the transactions in Cash, Equity – Derivative, Currency Derivative Market Segments and Commodity Derivative Market Segment of the Stock Exchange(s), where the Firm is registered as a Trading Member, this Surveillance Policy is being formulated in compliance and/or as mandated by Securities and Exchange Board of India and The Stock Exchanges.

3. Responsibility:

3.1 The Compliance Officer shall be responsible for the implementation and supervision of this Policy.

3.2 The Compliance Executives, Surveillance executive and back office executives shall assist and report to the Compliance Officer on a daily basis in respect of the alerts generated for the surveillance mechanism.

3.3 The Compliance Officer shall take all necessary steps to analyze, monitor, document and report the findings to the relevant Stock Exchanges and/or regulatory bodies, in a time bound manner, as detailed here under and/or as mandated by the Stock Exchanges and/or regulatory bodies.

3.4 The Compliance Officer shall take adequate precautions to ensure implementation of an effective

surveillance mechanism, based on the day-to-day activities of the clients, general market information and the facts and circumstances.

3.5 The Internal Auditor of the firm, shall review the Policy, its implementation, documentation, effectiveness and review the alerts generated during the period of audit and shall record the observations with respect to the same in their Internal Audit Reports.

3.6 The Directors/Partners/Proprietor shall peruse, review and provide necessary guidance with regard to the “**Surveillance Policy**”, periodically, for strengthening the processes.

4. Policy Procedures for Disposition of Alerts:

4.1 Downloading of Transaction Alerts: The Transaction Alerts provided by the Stock Exchanges and internally generated shall be downloaded by “the compliance Team” on a regular basis and the same shall be forwarded to the Compliance Officer.

4.2 Client(s) Information: The “Compliance Team” shall carry out the necessary Due Diligence of the client(s), whose name appears on the Transaction Alerts. The said officer shall ensure that the KYC parameters are updated on a periodic basis as prescribed by Securities & Exchange Board of India (SEBI) and latest information of the client is updated in UCC database of the respective Exchanges. Based on available information, the trading member shall establish groups / association amongst clients, inter-alia, to identify multiple accounts / common account / group of clients.

4.3 Documentation: The Compliance Team in order to analyze the trading activity of the Client(s)/Group of Client(s) or scrips identified based on the Transaction Alerts, shall do the following:

- a) Seek explanation from such identified Client(s)/Group of Client(s) for entering into such transactions.
- b) Seek documentary evidence such as Bank Statement / Demat Transaction Statement / Income proof or any other documents to satisfy itself.
- c) In case of Funds, Bank Statements of the Client(s)/Group of Client(s) from which Funds pay-in have been met, to be sought.
- d) In case of Securities, Demat Account Statements of the Client(s)/Group of Client(s) from which Securities pay-in have been met, to be sought.
- e) The period of such statements mentioned in point (c) & (d) may be at least +/- one month from the date of transactions to verify whether the funds/ securities for the settlement of such trades actually belongs to the client to whom the trades were transacted.

4.4 Analysis: Upon receipt of the above mentioned documents, the Compliance Officer shall analyze the documents sought from the Client as well as the KYC & KRA of the Client and shall record the observations for such identified transactions or Client(s)/Group of Client(s). Compliance officer shall also analyze whether any frequent changes are being made by any client(s)/ Group of Client(s) in the KYC as well as the above mentioned documents

Steps to be taken for analysis of each alert by Compliance Team:

Alert Generation System: The Compliance Team generates alert reports at the end of each day from the Software which is analyzed to identify suspicious transactions. Alerts from Stock Exchanges are also collated.

(i) Quality of Dealing:

- Identify scrips in BE, T and TS having 50% of Exchange volume.
- Segregate the scrip volume based on the security category (e.g. EQ and BE in case of NSE and A, B, T, etc., in case of BSE).
- Identify the clients and check the bona fide of transactions.

(ii) High Value Deals:

- Review the deals above Rs.25Lacs in single scrip.
- In case of buy deals, check whether sufficient margin is available.
- In case of sale deal, check whether the shares are available in our client beneficiary/pool account.
- Identify scrips where deals are persistently contributing higher volumes.
- Identify clients, who have taken high value positions, review their ledger accounts in order to verify whether there is sudden increase in.

(iii) Significant increase in client activity: Client(s)/Group of Client(s) who have been dealing in small quantities/value suddenly significantly increase their activity. In such cases the following shall be examined:

- Transaction Turnover more than Rs.10.00 Lacs.
- Delivery Turnover more than Rs.1.00 Lacs.
- Deal size more than 2 times of the average deal size.
- Whether such volume is justified given the background of the client and his past trading activity.
- Cumulative amount of funds that was brought in by the Client(s) / Group of Client(s) for the purchases made during the period.
- Whether such inflow of funds is in line with the financial status of the client.
- Whether the transactions of such Client(s)/Group of Client(s) are contributing to concentration or impacting the price.

(iv) Significant trading activity in scrips where client has pledge shares or has significant holding or has frequent off market transactions:

This refers to significant increase in trading activity for client(s)/ Group of client(s) in any particular scrip(s) or client(s)/ Group of client(s) is holding or pledging shares of any particular scrip(s) or doing frequent off market transactions in that particular scrip(s). In such cases following shall be examined:

- Review the deals above Rs. _ in a single scrip
- Identify the scrip in which, client(s) are dealing in higher volume and doing off market transactions frequently
- Identify the client(s), who have taken high value positions in any particular scrip(s), review their ledger accounts in order to verify whether there is sudden increase in.

(v) Monitoring of IP address: In case of internet trading facility has been provided to clients then we need to review frequently, whether multiple clients are using same IP address or location for punching trades.

(vi) Sudden trading activity in dormant accounts:

This refers to such cases where the client has not traded more than 6 months and suddenly starts/resumes trading in stocks or low market capitalized scrips or enters into transaction which is not in line with his financial strength. In such cases following shall be reviewed and examined:

- Trade Gap Analysis for more than 180 days.
 - Reasons for trading in such scrips/contracts.
 - Whether there is any concerted attempt by a Client(s)/Group of Client(s) to impact the prices of such scrips/contracts through use of such dormant accounts.
 - Additional verification before placing the order so as to verify that the client himself is placing the orders.
- (vii) **Client(s)/Group of Client(s) concentrated in a few illiquid scrips:** The following shall be reviewed and examined:
- Typically, the Risk Management Team shall block trading in scrips which are listed as Illiquid Scrips by the Stock Exchanges through its circulars.
 - Any trading in such scrips are done on specific request by client, and the same is allowed by the Compliance Officer only upon scrutiny of the beneficial ownership of the selling, pre-pay-in of funds by the buying client and trades are executed at the last traded price.
 - Activity concentrated in illiquid scrips.
 - Sudden activity in illiquid securities.
 - Reasons for trading in such scrips.
 - Whether there is any concerted attempt by a Client(s)/Group of Client(s) to impact the prices of such scrip's.
 - Whether there is any concerted attempt by a Client(s)/ Group of Client(s) to indulge in movement of profit/ loss from one client to another.
 - Percentage of Client(s)/Group of Client(s) activity to total market in the scrip/contract is high.
 - Identify clients who have traded in these scrips more than 25% of Exchange volume.
- (viii) **Synchronized Trades/Cross Trades/Circular Trading:**
- Scrutinize Synchronized/Cross Trade Report generated by the system as well as the data published by the Stock Exchanges on their official website. Identify clients having cross or synchronized trades.
 - Continuous trading of client/ group of clients in particular scrip over a period of time.
 - Client/ group of clients contributing significant volume (broker and exchange level) in particular scrip—especially illiquid scrip.
 - Possible matching of trades with a specific group of clients (like same trade number on both buy and sell side and/or immediate execution of order in illiquid scrip etc.).
 - Possible reversal of trades with the same group of clients (like same trade number on both buy and sell side and/or immediate execution of order in illiquid scrip)
- (ix) **Wash Sales or Reversal of Trades:**
- Same Client(s)/ Group of Client(s) on both sides of the transaction. (i.e. same trade number on both the buy and sell side).
 - Reversal of transactions by same Client(s) or within same Group of Client(s) at significantly different trade prices within a short period of time says 3-4 days.
 - One client makes significant profit and other suffers a loss or apparent loss booking transactions in illiquid contract/ securities including options
- (x) **Concentrated position in the Open Interest/high turnover concentration:**
- Client(s)/Group of Client(s) having significant position in the total open interest of a particular scrip.
 - Client(s)/Group of Client(s) not reducing /closing their positions in spite of the scrip being in ban period.

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- Client(s)/Group of Client(s) activity accounts for a significant percentage of the total trading in the contract / securities at the Trading member and exchange level.
 - Client(s)/Group of clients with new account or client dealing after a significant time gap, as identified by the trading member, accounting for significant value/ percentage of total trading activity in a scrip/contract as compared to the market.
 - Client/ group of clients dealing frequently in small quantities/minimum market lot in a scrip /contract
 - Monitor the trading pattern of Client(s)/ Group of Client(s) who have Open Interest positions/ concentration greater than equal to the thresholds prescribed.
 - Identify the scrips where there is sudden increase in volume or rate by comparing the Exchange volume.
 - Check whether Clients has contributed substantial volume (more than 25 %) in such scrips. Identify clients who have contributed more than 25 % of the volume at the Exchange. Check for intimation letter uploaded by the Stock Exchange for the purpose of Additional Margin.
- (xi) **Disproportionate trading activity Vs reported income/ Net Worth**
- (xii) **Based on an announcement by a listed company, identify client/ group of client, having possible direct/indirect connection with a listed company, who have undertaken any suspicious trading activity prior to price sensitive announcement by the said listed company.**
- (xiii) **Client / group of clients having significant selling concentration, in the scrips, forming part of 'For Information list' or 'Current Watch list'.**
- (xiv) **Significant trading activity in scrips by client who has pledged the shares of same scrip.**
- (xv) **In case of concerns of trading activity of a client / group of clients in a scrip, monitoring whether the orders are being placed by respective clients or their authorized representatives and monitoring client's address as per KYC vis-a-vis the dealing office address.**
- (xvi) **Order book spoofing i.e. large orders away from market**
- Consistent placement of large orders significantly away from the market with low trade to order trade ratio or canceling orders within seconds after placing them there by creating a false impression of depth in a particular scrip/contract
 - Repeated pattern of placement of large buy orders which are away from the market price and simultaneous placement of sell orders to benefit from price rise or vice-versa.
- (xvii) **Impact of Trading Pattern on Price and Volume of the Scrip**
- Identify the days on which the client has taken concentrated positions in the scrip and Compare price and volume on the Exchange on said dates to ascertain whether:
 - Increase in price or volume beyond 20%.
 - Client has taken positions at day's high or low rates.
- (xviii) **Review of KYC & Turnover Vis-à-vis Financial Income Submitted by Client**
- Review the KYC and supporting documents submitted by the client.

- Review the Risk categorization of the client and categorize the client based on the validation done.

(xix) Graded Surveillance Measures (GSM):

In continuation with the various measures implemented above to enhance market integrity and safeguard interest of investors, the Compliance Officer and Risk Management Team shall also implement the Graded Surveillance Measures (GSM) on securities that witness an abnormal price rise that is not commensurate with financial health and fundamentals of the company.

At present, there are 6 stages defined under GSM framework viz. from Stage I to Stage VI. Surveillance action has been defined for each stage. Once the security goes into a particular stage, it shall attract the corresponding surveillance action. Stage wise Surveillance actions are listed below;

Stage	Surveillance Actions
I	Transfer to Trade for trade with price band of 5% or lower as applicable.
II	Trade for Trade with price band of 5% or lower as applicable and Additional Surveillance Deposit (ASD) of 100%of trade value to be Collected from Buyer.
III	Trading permitted once a week (Every Monday) and ASD of 100% of trade value to be collected from Buyer.
IV	Trading permitted once a week (Every Monday) with ASD of 200% of trade value to be collected from Buyer.
V	Trading permitted once a month (First Monday of the month) with ASD of 200%of trade value to be collected from Buyer.
VI	Trading permitted once a month (First Monday of the month) with no upward movement in price of the security with ASD of 200% of trade value to be collected from Buyer.

The Risk Management Team has to be extra cautious and diligent while dealing in such securities as they have been placed under higher level of surveillance. A file containing stage wise GSM details is available on the website of NSE and BSE at the following link:

- https://www.nseindia.com/invest/content/equities_surv_actions.htm
- https://www.bseindia.com/markets/equity/EQReports/graded_surveil_measure.aspx

GSM frame work shall work in addition to existing actions undertaken by the Exchange on the company's securities.

(xx) Additional Surveillance Measure (ASM)

The Compliance Officer and Risk Management Team shall also implement Additional Surveillance Measure along with the aforesaid measures on securities with surveillance concerns based on objective parameters viz. Price variation, Volatility etc.

The short listing of securities for placing in ASM is based on objective criteria covering the following parameters:

- High Low Variation
- Client Concentration

- No. of Price Band Hits
- Close to Close Price Variation
- PE ratio

The surveillance actions applicable for the shortlisted securities are as under:

- Securities shall be placed in Price Band of 5% or as directed by the Stock Exchange(s) from time to time.
- Margins shall be levied at the rate of 100%.

ASM framework shall be in conjunction with all other prevailing surveillance measures being imposed by the Exchanges from time to time.

5. Time Frame for Disposition & Closure of Alerts:

With respect to the transactional alerts downloaded by the Exchange, trading member shall ensure that all alerts are analyzed and status thereof (Verified & Closed / Verified & Sent to Exchange) including action taken is updated within 45 days, in the respective Exchange System.

With respect to the alerts generated at the trading members end, trading members shall report instances with adverse observation, along with details of action taken, to the Exchange within 45 days of the alert generation.

In case the matter prolongs beyond 45 days the same should be reported to the Designated Director / Partner / Proprietor, by the Compliance Officer, citing reasons for such delay. The Compliance Officer may seek extension of the time period from the Exchange, whenever required, under intimation to the Board of Designated Director / Partner / Proprietor.

6. Management Information System(MIS):

A Quarterly MIS Report (by 30 Calendar Days from the end of each quarter) shall be put up by the Compliance Officer to the Designated Director / Partner / Proprietor on the number of alerts pending at the beginning of the quarter, generated during the quarter, disposed off during the quarter and pending at the end of the quarter along with reasons for pendency and action plan for closure. The Compliance Officer shall also apprise the Designated Director / Partner / Proprietor of any exception noticed during the disposition of Alerts.

7. Unsolicited Messages (SMS Stocks):

7.1 Clients are advised to remain cautious on the unsolicited emails and SMS advising investor to buy, sell or hold securities and trade only on the basis of informed decision.

7.1.1 Investors are also requested to share their knowledge or evidence of systemic wrong doing, potential frauds or unethical behavior through the anonymous portal facility provided on Exchange website and mail at the following addresses:

- invg@nse.co.in
- investigation@bseindia.com

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7.2 In recent past, Exchange has come across SMS tips being circulated whereby as a festive bonanza, various stocks are being recommended with higher price targets leading to heightened trading activities in such stocks.

7.2.1 Member advises their clients to exercise caution towards unsolicited emails and SMS and also request their clients to buy, sell or hold securities and trade only on the basis of informed decision. Clients are further requested not to blindly follow these unfounded rumors, tips etc. and invest after conducting appropriate analysis of respective companies.

7.2.2 In view of above & as a part of surveillance measure to protect investor's interest and maintain market integrity, Exchange is once again advising members to exercise greater caution with respect to tips/rumors circulated via various mediums such as analyst websites, social networks, SMS, WhatsApp, Blogs etc. While dealing in the securities listed on the Exchange on behalf of their clients.

7.2.3 The Securities identified by Exchange(s) in which unsolicited SMS are circulated shall be kept suspended and barred from further buying & selling by Member and shall be monitored on regular basis.

7.2.4 The Clients shall remain cautious on the unsolicited emails and SMS advising to buy, sell or hold securities and trade only on the basis of informed decision.

7.2.5 Member may in exceptional circumstances, where the Client has dealt in "SMS Stocks, shall withhold the pay-out of funds and/or securities of the Client and/or suspend the Accounts, without assigning any reasons, to adjust the Traded Value of Trades in such SMS Stocks with retrospective effect and transfer the same to the Designated Bank Account earmarked for this purpose as mandated by Stock Exchange(s)/SEBI from time-to-time and retain the same till directed by the Stock Exchange(s)/SEBI for such release.

8. Record Maintenance & Reporting:

8.1 The Designated Director / Partner / Proprietor shall be responsible for all surveillance activities carried out by the Company and for the record maintenance of such activities.

8.2 The Compliance Officer shall be assisted by the Risk Management Team and the Back office team for the surveillance activities and shall have the discretion to take assistance/help from any professionals and/or software for the better implementation of the surveillance activities, without diluting the accountability and responsibility of the Compliance Officer.

8.3 Each alert received from the exchange shall be backed by necessary supporting documentary evidence collected from clients, any other additional details as may be deemed fit may be captured and placed before the Board of Designated Director / Partner / Proprietor for review.

8.4 Further, the records mentioned in above have to be maintained and preserved for a period of five years from receiving such alert from the exchanges.

9. Quarterly reporting of status of the alerts generated by the Trading member:

In order to comply with the SEBI & Exchange circular, trading members are required to provide duly approved status of the alerts on a quarterly basis (MIS), in the prescribed format to the Exchange within 15 days from end of the quarter by the designated compliance team in accordance with exchange circular BSE - 20210701-30 dated 01 Jul 2021 & NSE - NSE/SURV/48818 dated 01 Jul 2021.

10. Review Procedure:

In order to ensure the effectiveness of the policies and procedures on the Surveillance Obligations, it shall be reviewed once in every year and as and when required to incorporate the additions, changes, modifications etc., as directed by regulator and such changes shall take place from their effective date.

The Compliance Officer shall be responsible to ensure that as and when the policy is reviewed or updated, the same is consistent with the applicable laws and rules of the exchanges and to bring all the significant changes in the said policy to the notice of Designated Director / Partner / Proprietor and place the reviewed policy before the Board for its adoption.

DEPOSITORY

Background:

Surveillance is the process of collecting and analyzing information concerning markets in order to detect unfair transactions that may violate securities related laws, rules and regulations. In order to achieve this and to create safer markets, **AETRAM TRADES PRIVATE LIMITED** would have in place adequate surveillance policies and system in order to monitor suspicious/manipulative transactions and curb such activities, if any.

Objective:

In order to facilitate an effective surveillance mechanism to monitor the transactions in DP of the NSDL / CDSL Depository where the Firm is registered as a Depository participant this Surveillance Policy is being formulated in compliance and/or as mandated by Securities and Exchange Board of India and Depository.

Responsibility:

The Compliance Officer shall be responsible for the implementation and supervision of this Policy.

The DP Executives, Compliance Executives, Surveillance executive and back office executives shall assist and report to the Compliance Officer on a daily basis in respect of the alerts generated for the surveillance mechanism.

The Compliance Officer shall take all necessary steps to analyze, monitor, document and report the findings to the relevant Depository and/or regulatory bodies, in a time bound manner, as detailed here under and/or as mandated by Depository and/or regulatory bodies.

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The Compliance Officer shall take adequate precautions to ensure implementation of an effective surveillance mechanism, based on the day-to-day activities of the clients, general market information and the facts and circumstances.

The Internal Auditor of the firm, shall review the Policy, its implementation, documentation, effectiveness and review the alerts generated during the period of audit and shall record the observations with respect to the same in their Internal Audit Reports.

The Designated Director / Partner / Proprietor shall peruse, review and provide necessary guidance with regard to the "Surveillance Policy", periodically, for strengthening the processes.

Obligation to generate Surveillance Alerts:

DP to generate appropriate surveillance alerts at their end, to enable them to effectively monitor the transactions of their clients. The indicative themes on which DP may formulate their own alerts are as under. The DP also need to analyses patterns and trends with respect to different themes. DP shall put in place system to generatethese alerts and obtain the approval of its Board in its next meeting.

Sr. No.	Indicative themes:
1	Alert for multiple demat accounts opened with same demographic details: Alert for accounts opened with same PAN /mobile number / email id/ bank account no. / address considering the existing demat accounts held with the DP.
2	Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.
3	Frequent changes in details of demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.
4	Frequent Off-Market transfers by a client in a specified period
5	Off-market transfers not commensurate with the income/Net worth of the client.
6	Pledge transactions not commensurate with the income/Net worth of the client.
7	Off-market transfers (High Value) immediately after modification of details in demat account
8	Review of reasons of off-market transfers provided by client for off-market transfers vis-à-vis profile of the client e.g. transfers with reason code Gifts with consideration, frequent transfers with reason code Gifts/Donation to unrelated parties, frequent transfers with reason code off-market sales
9	Alert for newly opened accounts wherein sudden Increase in transactions activities in short span of time and suddenly holding in demat account becomes zero or account becomes dormant after some time.

10	Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by their clients
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The above-mentioned alerts may be generated based on some threshold/parameters and are illustrative and not exhaustive. DP need to review these alerts based on facts and verification of relevant documents including income/net worth as provided by Client. Further, DP are required to exercise their independent judgment and take appropriate action in order to detect any abnormal or suspicious transactions.

Obligation of DPs to generate additional surveillance alerts

Sr. No.	Indicative themes:
1	Due diligence and BO verification of client before executing transaction in BO's demat account of BO of certain age i.e. more than 75 years
2	Alert for high value transaction (debit/credit) in BO's account which doesn't reflect in accordance to his/her income range/net worth provided by the BO.
3	Flagging client as High risk client where Owner of Demat account & management of Demat account are handled by different personnel i.e. Corporate, LLP/partnership firm
4	Yearly evaluation client's Risk profile based on activity in its demat account pertaining debit-credit, off market transaction, modification, pledge etc.
5	Marking demat account under high risk category where such account is operated through POA holder

Obligation regarding Client due diligence:

The following activities shall be carried out by DP for client due diligence.

DP shall to carry out the Due Diligence of their client(s) on an on-going basis.

The Alerts provided by the Depositories and internally generated shall be downloaded by "the compliance Team" on a regular basis and the same shall be forwarded to the Compliance Officer.

The "Compliance Team" shall carry out the necessary Due Diligence of the client(s), whose name appears on the Alerts. The said officer shall ensure that the KYC parameters are updated on a periodic basis as prescribed by Securities & Exchange Board of India (SEBI) and latest information of the client is updated in Depository database system of the respective depositories. Based on available information, the Depository Participants shall establish groups / association amongst clients, inter-alia, to identify multiple accounts / common account / group of clients.

Obligation to w.r.t. Processing of Alerts:

DP shall maintain register (electronic/physical) for recording of all alerts generated.

While reviewing alerts, DP shall obtain transaction rationale, verify demat account statement and also obtain supporting documents as required from the client.

After verifying the documentary evidences, Participants shall record its observations for such identified transactions of its Client.

With respect to the transactional alerts to be provided by Depository, DP shall ensure that all alerts are reviewed and status thereof (Verified & Closed/Verified & Reported to Depository) including action taken is updated within 30 days, on the NSDL / CDSL portal.

With respect to the alerts generated at the DP end, DP shall report instances with adverse observation, along with details of action taken, to NSDL / CDSL within 7 days of the date of identification of adverse observation.

Obligation of Compliance officer and Internal Auditor/Concurrent Auditor:

The surveillance activities of DP shall be conducted under overall supervision of Compliance Officer

A quarterly MIS shall be put up to the Board on the number of alerts pending at the beginning of the quarter, generated during the quarter, processed and acted upon during the quarter and cases pending at the end of the quarter along with reasons for pendency and action plan for closure. Also, the Board shall be apprised of any exception noticed during the disposal of alerts.

Internal auditor of Participant shall review the surveillance policy, its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor shall record the observations with respect to the same in their report.

Internal Auditor shall verify that the quarterly MIS is prepared and placed before the Board of the DP.

Obligation of Quarterly reporting of status of the alerts generated:

In order to comply with the SEBI & Depositories circular, DP are required to provide duly approved status of the alerts on a quarterly basis (MIS), in the prescribed format to NSDL / CDSL within 15 days from end of the quarter by the designated compliance team in accordance with depositories circular NSDL - NSDL/POLICY/2021/00720 dated 15 Jul 2021 & CDSL - CDSL/OPS/DP/SYSTEM/2021/309 dated 15 Jul 2021.

DP who do not have anything to report, need to submit 'NIL Report' within 15 days from end of the quarter.

Reporting to respective depositories and other authorities as applicable, in case of any abnormal activity

the above details shall be uploaded by the DP on respective DP Portal.

Record Maintenance & Reporting:

The Compliance Officer shall be responsible for all surveillance activities carried out by the Company and for the record maintenance of such activities.

PMLA Policy

The Compliance Officer shall be assisted by the DP team and the Risk Management Team for the surveillance activities and shall have the discretion to take assistance/help from any professionals and/or software for the better implementation of the surveillance activities, without diluting the accountability and responsibility of the Compliance Officer.

Each alert received from the Depository shall be backed by necessary supporting documentary evidence collected from clients, any other additional details as may be deemed fit may be captured and placed before the Board of Designated Director / Partner / Proprietor for review.

In case the matter prolongs beyond prescribed limits the same should be reported to the Designated Director / Partner / Proprietor, by the Compliance Officer, citing reasons for such delay. The Compliance Officer may seek extension of the time period from the Depositories, whenever required, under intimation to the Board of Designated Director / Partner / Proprietor.

Further, the records mentioned in above have to be maintained and preserved for a period of five years from receiving such alert from the exchanges.

Framework of appropriate actions as per obligations under Prevention of Money Laundering Act (PMLA):

Depository activity involves transfer of securities which have monetary value. As such, Depository activity has been brought within the purview of the PML & CFT Policy. KYC norms for opening accounts shall be followed in Depository. In order to ensure monitoring of alerts the procedures as laid and enshrined in "Procedure & Process Flow Manual for Prevention of Money Laundering Surveillance & Risk Assessment" shall be adhered and strictly implemented.

- Clients whose identity verification seems difficult.
- False identification documents.
- Identification documents which could not be verified within reasonable time.
- Doubt over the real beneficiary of the account
- Client appears not to co-operate.
- Sudden activity in dormant accounts.
- Client having suspicious background or links with known criminals.

Review Procedure:

In order to ensure the effectiveness of the policies and procedures on the Surveillance Obligations, it shall be reviewed once in every year and as and when required to incorporate the additions, changes, modifications etc., as directed by regulator and such changes shall take place from their effective date.

The Compliance Officer shall be responsible to ensure that as and when the policy is reviewed or updated, the same is consistent with the applicable laws and rules of the exchanges and to bring all the significant changes in the said policy to the notice of Designated Director / Partner / Proprietor and place the reviewed policy before the Board for its adoption.

23. REVIEW OF POLICY

Policy will be reviewed by the senior management officials on new additions prescribed by regulator/exchanges. Further the policy will be reviewed on yearly basis. The review is different from one who has framed such policy every Year

Policy revised as per SEBI Circular SEBI circular CIR/MIRSD/2/2013 Jan 2013 & CIR/MIRSD/1/2014 12 March 2014 & CIR/ P/ 2018/ 104 4 July 2018

Policy created by: Prabhakar Sivaraman Policy reviewed by: Principal Officer Policy reviewed on: 07th August, 2023