SWASTIKA INVESTMART LIMITED

Prevention of Money Laundering Act

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1. Background:

Swastika Investmart Limited ('SIL') is a member of National Stock Exchange of India Limited ('NSE'), Bombay Stock Exchange Limited ('BSE') and Multi Commodity Exchange of India Limited (MSEI) having SEBI Regn No. INZ000192732. SIL is also a Depository Participant ('DP') of CDSL *vide* SEBI Regn No. : IN-DP-CDSL-340-2006 and NSDL *vide* SEBI Regn No. : IN-DP-115-2015.

SIL is committed to maintaining the highest standards of integrity, transparency, and regulatory compliance in all its business operations. As a registered stockbroker and depository participant, the Company recognizes that the securities market can potentially be misused for money laundering, terrorist financing, market manipulation, and other unlawful activities. Accordingly, the Company has adopted this Anti-Money Laundering ("AML") and Combating Financing of Terrorism ("CFT") Policy in compliance with the Prevention of Money Laundering Act, 2002 ("PMLA"), the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, SEBI AML/CFT Guidelines, Depository circulars, FIU-IND reporting obligations, and other applicable laws and regulations. As per the provision of the Maintenance of records, the Company is obligated to maintain and securely preserve records in accordance with applicable regulatory requirements.

This policy establishes a comprehensive framework for customer due diligence, beneficial ownership identification, risk classification, transaction monitoring, suspicious transaction reporting, employee awareness, governance mechanisms, technology controls, and audit preparedness. The objective is not merely legal compliance but also protection of the integrity of the securities market and the Company's reputation.

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 18 January 2006 and vide letter March 2006 had issued the obligations of the intermediaries ISD/CIR/RR/AML/2/06 dated 20th 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.

2. Regulatory Framework:

This Policy has been framed considering the latest applicable legal and regulatory framework governing AML/CFT obligations applicable to securities market intermediaries in India.

The principal legislation governing AML obligations is the Prevention of Money Laundering Act, 2002 ("PMLA"), read together with the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 and subsequent amendments thereto. In addition, the Company shall comply with all applicable circulars, master circulars, directions, advisories, notifications, and guidelines issued by the Securities and Exchange Board of India ("SEBI"), Financial Intelligence Unit – India ("FIU-IND"), National Stock Exchange ("NSE"), BSE Limited, Multi Commodity Exchange ("MCX"), National Securities Depository Limited ("NSDL"), Central Depository Services (India) Limited ("CDSL"), and other regulators.

The Company shall also adhere to international best practices and recommendations issued by the Financial Action Task Force ("FATF"). The Company shall ensure compliance with sanctions and restrictions imposed under the Unlawful Activities (Prevention) Act, 1967 ("UAPA") and Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 ("WMD Act").

The Company shall review this Policy periodically and update the same whenever there are material changes in laws, regulations, business models, technology infrastructure, or regulatory expectations.

3. **Definition of Money Laundering:**

Money Laundering is the processing of criminal proceeds to disguise their illegal origin. It is a process by which persons with criminal intent or persons involved in criminal activities attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities, thereby avoiding prosecution, conviction and confiscation of illegal funds. Although money laundering is a complex process, it generally follows three stages:

Placement is the initial stage in which money from criminal activities is placed in financial institutions. One of the most common methods of placement is structuring— breaking up currency transactions into portions that fall below the reporting threshold for the specific purpose of avoiding reporting or recordkeeping requirements.

Layering is the process of conducting a complex series of financial transactions, with the purpose of hiding the origin of money from criminal activity and hindering any attempt to trace the funds. This stage can consist of multiple securities trades, purchases of financial products such as life insurance or annuities, cash transfers, currency exchanges, or purchases of legitimate businesses.

Integration is the final stage in the re-injection of the laundered proceeds back into the economy in such a way that they re-enter the financial system as normal business funds. Banks and financial intermediaries are vulnerable from the Money Laundering point of view since criminal proceeds can enter banks in the form of large cash deposits.
Three most common stages of Money Laundering, as mentioned above are resorted to, by the launderers. The laundered proceeds re-enter the financial system appearing to be normal business funds and Market Intermediaries may unwittingly be exposed to a potential criminal activity while undertaking such normal business transactions.

4. **Objective of the Policy:**

The objective of this Policy is to establish a robust framework for prevention and detection of money laundering and terrorist financing activities and to ensure that the Company does not knowingly or unknowingly facilitate such activities.

The Policy aims to establish appropriate customer due diligence standards, risk classification methodologies, beneficial ownership identification procedures, transaction monitoring systems, suspicious transaction reporting mechanisms, governance controls, employee awareness programs, record retention standards, and technology-driven compliance measures.

The Policy further seeks to ensure that all employees, branches, authorized persons, and operational teams understand their responsibilities and actively participate in maintaining an effective AML/CFT environment within the organization.

5. **Financial Intelligence Unit-INDIA:**

The government of India set up Financial Intelligence Unit (FIU-INDIA) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister. FIU-INDIA 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 coordination and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

6. **Policy of the Organization:**

SIL has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a framework for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to FIU as per the guidelines of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005. Further member shall regularly review the policies and procedures on PMLA and Terrorist Financing to ensure their effectiveness.

Date of Review: 2nd May 2026

Approved by: SIL Board

7. Appointment of Principal Officer, Designated Director & Implementation of the Policy:

The Designated Director appointed under PMLA shall be responsible for ensuring overall compliance with obligations under PMLA and related rules. The Principal Officer shall be responsible for monitoring suspicious transactions, filing reports with FIU-IND, coordinating with regulatory authorities, maintaining AML records, and ensuring implementation of AML controls.

Principal Officer means an officer designated by SIL for the post, provided that such officer shall be an officer at the management level.

Mr. Deepesh Verma, Senior official is appointed as the Principal Officer and Mr. Sunil Nyati, Managing Director (who is appointed as designated director as per SEBI Circular No. CIR/MIRSD /1/2014 dated 12.03.2014) are responsible for compliance of the provisions of the PMLA and AML Guidelines act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions. They ensures that the company discharges its obligations to report suspicious transactions to the concerned authorities.

8. CLIENT DUE DELIGENCE:

Client due diligence (CDD), which typically refers to the process of investigating and assessing potential clients before entering into a business relationship with them. This process is crucial for businesses to mitigate risks such as fraud, money laundering, or reputational damage.

These measures include the process to identify the correct identity of the client who will be the beneficial owner of the securities account. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement;

Client Due Diligence includes following:

A. Client Acceptance Policy
B. Client Identification Policy
C. Risk Assessment associated with the client.
D. Third Party Reliance for conducting Due Diligence

8.1. <u>CLIENT ACCEPTANCE POLICY:</u>

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

i. No account is opened in a fictitious / benami name or on an anonymous basis.
ii. All the clients shall require to disclose the details of designated bank account and designated demat account in the Account Opening Form ('AOF'). All the pay-in /pay–out of funds/ securities shall be routed through designated bank / demat account only. No cash/DD shall be accepted.
iii. All KYC Documentations and Procedures shall be followed at the time of account opening and no account shall be opened where SIL is unable to apply appropriate CDD measures/ KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, or the information provided to the

SIL is suspected to be non-genuine or there is perceived non-cooperation of the client in providing full and complete information.

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

v. The authorized official/employees of company and Authorized Person (AP's) shall personally verify the photograph of the client affixed on the AOF and the proof of identity documents with the person concerned. A stamp of "Identity Verified in Person" must be affixed (as a proof of In Person Verification) on the AOF against the photograph of the client & on the proof of identity documents. The authorized official of the company and AP's who has done in-person verification and verified the documents with original should also sign on the AOF and ID proof.

vi. Each original document shall be seen prior to acceptance of a copy. Stamp of "documents verified with originals" must be affixed along with the signature of the authorized person.

vii. In case of any discrepancy or non-provision of information by the client, employees /AP's shall seek necessary clarification from the applicant and activate the account only when the discrepancy is resolved or the deficiency is fulfilled. E.g., cases where names mentioned on the AOF and that on the PAN Card do not match, etc.

viii. Verify the customer's identity using reliable, independent source documents, data or information.

ix. Reasonable precaution to be taken that no account is opened in a fictitious/ benami name or on an anonymous basis.

x. The applicant shall be required to disclose his/ her financial status and occupation details as required by PMLA on time-to-time basis.

xi. AOF shall be strictly as prescribed by Security Exchange Board of India.

xii. If the applicant has completed KYC procedure with any KYC Registration Agency (KRA), in-person-verification shall be adequate.

xiii. In case of clients other than an Individual or trust, viz., company, partnership firm or unincorporated association / body of individuals, is shall be mandatory for such clients to disclose the beneficial ownership in them.

xiv. SIL shall comply with the provisions of the Government order dated August 27, 2009 for implementation of Section 51A of the Unlawful Activities Prevention Act, 1967.

xv. SIL shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process such that the information or data collected under client due diligence is kept up-to-date and relevant, particularly for high risk clients

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

xvii. Special Due diligence for the Clients of Special Category (CSC) which shall include the following:

a. Non- resident clients
b. High Net-worth Clients
c. Trust, Charities, Non- governmental Organizations and organization receiving donations
d. Companies having close family shareholdings or beneficial ownership;
e. Politically exposed Persons (PEPs) and their respective relatives
f. Clients in high risk Countries
g. Non face to face clients
h. Client with dubious reputation as per public information available etc.

xviii. No transaction or account-based relationship shall be undertaken without following the CDD procedure.

xix. Further as per the new amendments in the PMLA (Maintenance of Records) Amendment Rules, 2024, we seek the KYC identifier from the client or retrieve the KYC identifier and proceed to obtain KYC information online without bothering the client to submit the documents again unless and until the following situation occurs:

A. There is a change in the information of the client as compared to the existing details in the Central KYC records registry or,
B. the KYC record or information retrieved is incomplete or is not as per the current applicable KYC norms prescribed by the respective regulator; or
C. the validity period of the downloaded documents has lapsed; or
D. For the purpose of Enhance due diligence its deemed necessary

8.2. CLIENT IDENTIFICATION PROCESS:

We at SIL understand the importance of identifying the beneficial owners in the case of Companies, Trust, partnership firms and other non-natural person. Therefore, following guidelines on information needed to be obtained to identify BO:

8.2.1. Where the client is a company:

In such case, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means.

"Controlling ownership interest," means ownership of or entitlement to more than ten per cent of shares or capital or profits of the company;

"Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;

8.2.2. Where the client is a partnership firm:

In such case, the beneficial owner is the natural person(s) who, whether acting alone or together, or through one or more juridical person, has ownership of/ entitlement to more than ten percent of capital or profits of the partnership or who exercises control through other means.
"Control" shall include the right to control the management or policy decision;

8.2.3. Where the client is an unincorporated association or body of individuals:

In such case, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen per cent of the property or capital or profits of such association or body of individuals;

In other cases, where no natural person is identified under 7.1, 7.2, 7.3 above, the beneficial owner is the relevant natural person who holds the position of senior managing official;

8.2.4. Where the client is a trust:

In such case, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with ten per cent 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;

8.2.5. Where the client or the owner of the controlling interest is an entity listed on a stock exchange in India, or it is an entity resident in jurisdictions notified by the Central

Government and listed on stock exchanges in such jurisdictions notified by the Central Government, or it is a subsidiary of such listed entities, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such entities.

8.2.6. Applicability for foreign investors:

SIL does not have the foreign investors but in case we register such foreign investors in the future we will comply by the provisions of SEBI Master Circular SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19, 2022 and amendments thereto, if any, for the purpose of identification of beneficial ownership of the client .

SIL as a depository shall monitor the compliances of the aforementioned provisions on identification of the beneficial ownership through Half Yearly Internal Audits.

Where the client purports to act on behalf of juridical person, individual, or trust, the registered intermediary shall verify that any person purporting to act on behalf of such client is so authorized and verify the identity of that person

8.2.7. Also, following precautions will have to be taken by SIL in order to ascertain that accounts are not misused by the clients or by any third parties for money laundering activities**.**

i. SIL will obtain information about the client as per the requirement mentioned in the AOF for the different categories of clients. SIL will also apply its latest technologies and tools for implementation of name screening as per the sanction list.

ii. Verify client's identity by taking adequate documents/information. The information must be adequate to satisfy competent authorities.

iii. SIL will register clients as per SEBI / BSE / NSE/ MSEI / MCX / ICEX /CDSL/NSDL guidelines and it will develop appropriate reporting system to monitor client's trades.

iv. SIL shall register the details of a client, in case of client being a non-profit organization, on the DARPAN Portal of NITI Aayog, if not already registered, and maintain such registration records for a period of five years after the business relationship between a client and the registered intermediary has ended or the account has been closed, whichever is later.

v. SIL shall implement the procedure to determine whether the potential client is a politically exposed person and to also identify their relatives. PEPs are individuals who are or have been entrusted with prominent public functions in a foreign country e.g. Heads of States or of Governments, senior politicians, senior government, judicial or military officers, senior executives of the state owned corporations, important political party officials etc. In case of PEPs and their relatives, enhanced CDD measures shall be applicable as noted in the procedure, it is required to obtain senior management approval for establishing/ continuing business relationship with PEPs and their relatives.

   Additionally, reasonable measures to be taken to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEPs and their relatives.

vi. Identify beneficial ownership and control i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person, verify the identity of the beneficial owner of the client and /or the person on whose behalf transaction is being conducted and understand the ownership and control structure of the client.

vii. SIL shall conduct ongoing due diligence where inconsistencies in the information provided is noticed to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued thereunder.

viii. Undertake client due diligence ("CDD") measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction.

ix. SIL shall have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities .If the SIL finds any transaction to be suspicious and reasonably believes that performing the CDD will tip- off the client, then as per the as per communique number CDSL/OPS/DP/POLCY/2024/337 dated June 19, 2024 such client should not be processed for CDD rather STR shall be filed with FIU-Ind.

8.3. PARAMETERS TO IDENTIFY THE LEVEL OF RISK OF CLIENTS

The Company shall adopt a dynamic and risk-based approach for identifying, assessing, monitoring, and mitigating money laundering and terrorist financing risks.

Clients shall be categorized into Low Risk, Medium Risk, and High Risk categories based on various factors including nature of business, geographical location, trading behavior, occupation, ownership structure, source of funds, product usage, transaction patterns, and regulatory background

SIL has framed a proper procedure in place for identifying the risk associated with the clients.

At the time of acceptance: HNI, Trusts, PEPs and their relatives and NRIs clients are considered as high risk clients.

During the course of Trading:

a. **High Risk Clients**: The clients whose single trade value in a day is more than Rs.5 lac are considered as high risk clients.
b. **Medium Risk Clients**: The clients whose single trade value in a day is less then Rs.5 lac and more than Rs. 2 lac are considered as Medium risk clients.
c. **Low Risk Clients**: The clients whose single trade value in a day is less then Rs.2 lac are considered as Low risk clients.

The transactions carried out by high and medium risk clients shall be monitored with special attention commensurate with the income declared by clients. In addition to above, special emphasis shall be on identification of client/BO who might be political exposed person (PEPs) and its relatives from the various sources available in public domain and availing the services of the specialized agencies. Further, approval from the senior management shall be obtained for establishing business relationships with PEPs or its relatives in case of a new client and where a client has been accepted and the client or beneficial owner is subsequently found to be PEP or its relatives, approval from senior management shall be obtained to continue the business relationship with such client. SIL shall carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc. The risk assessment shall also take into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions.

In order to identify the risk in case of the account of Trust, it is ensured that the trustees disclose their status at the time of commencement of an account based relationship. These parameters shall be revised from time to time.

On the basis of the categorization of the clients the monitoring is done by calling up the financial documents and statements of the clients for the purpose of updating of records and must be retained in the following manner:

1. High risk clients: Financial Documents shall be obtained every year for scrutiny and analysis.
2. Medium Risk Clients: Financial Documents shall be obtained every 3 to 5 years for scrutiny and analysis.
3. Low Risk Clients: Financial Documents shall be obtained every 5 to 7 years for scrutiny and analysis

SIL shall identify the ML /TF risk that may arise in development of new product and new business practices including new delivery mechanisms, and the use of new or developing technologies for both new and existing products.

SIL shall ensure following:

i. To undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and
ii. Adoption of a risk based approach to manage and mitigate the risks.

SIL shall specifically apply EDD measures, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) form countries for which this is called for by the FATF.

In furtherance, SIL does not have the branches and subsidiaries abroad so we do not need to apply the special provisions for AML/CFT risk but if in the future we establish the branch/subsidiary then we assure to adopt the more stringent requirements of the host and the home country for the determination of the AML/CFT norms for Client Due Diligence.

If the host country does not permit the proper implementation of AML/CFT measures consistent with the home country requirements, financial groups shall be required to apply appropriate additional measures to manage the ML/TF risks, and inform SEBI.

Financial groups shall be required to implement group wide programmes for dealing with ML/TF, which shall be applicable, and appropriate to, all branches and majority owned subsidiaries of the financial group as under:

i. policies and procedures for sharing information required for the purposes of CDD and ML/TF risk management;
ii. the provision, at group level compliance, audit, and/or AML/CFT functions, of customer, account, and transaction information from branches and subsidiaries when necessary for AML/CFT purposes. This shall include information and analysis of transactions or activities, which appear unusual (if such analysis was done); similar provisions for receipt of such information by branches and subsidiaries from these group level functions when relevant and appropriate to risk management; and
iii. adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.

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

SIL may rely on a third party for the purpose of

(a) Identification and verification of the identity of a client,
(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 Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. SIL shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

Rule 9(2) specifies:

a. SIL shall immediately obtain the information of such client due diligence carried out by third party.
b. SIL will take adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;
c. Such third party shall be regulated , supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;
d. The third party is not based in the high-risk jurisdiction country or area.

9. Investor and employee training programs:

SIL shall ensure adequate screening procedures at the time of hiring its staff. It shall also ensure that the employees dealing with PMLA requirements are suitable and competent to perform their duties. SIL will conduct PMLA awareness program for its existing employees to ensure that they are aware of their obligations under the provisions of PMLA. SIL will ensure that the new staff recruited by them is also given initial PMLA awareness training. SIL will also arrange for periodical refresher training to the staff to keep them updated on new developments and to communicate any changes in AML and CFT procedures, policies, etc. SIL shall make periodic updates to the AML Policy on the intranet for creating awareness on PMLA among the employees.

SIL shall take measures to educate the Investor about the requirements, importance and necessity of the PMLA including any amendments, circulars and notifications through new letters, personal meetings etc, Once the AML/ CFT measures are implemented investor is required to provide the sensitive information like documents evidencing his source of funds, his income tax returns, bank statements etc. Clients are likely to voice their apprehensions about the motive and purpose of collecting such information by SIL. In such case Dealer / back office staff members are required to make the investor aware that these requirements are arising from the AML/CFT framework. The Dealer / back office staff should prepare specific literature & pamphlets so as to educate the investor / customer about the objectives of the AML / CFT Programme. The letters are also required to be sent to the clients on the updates of the said programme.

10. Record Keeping & Retention of Records:

PMLA stipulates that records pertaining to all cash transactions greater than Rs. 10 lakhs, and all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency are maintained for a period of 5 years.

PMLA further stipulates that all relevant documents like Account Opening Forms and their supporting documents, business correspondence and all instructions for operating the account given by client or its duly registered Power of Attorney should be maintained at least for a minimum period of 5 years after the account is closed. In cases where the records relate to on-going investigations or transaction reporting, they should be retained until it is confirmed that the case has been closed.

In view of this, SIL shall maintain the records in terms of the provisions of PMLA. The retention period shall be modified on receiving appropriate instructions from any regulatory authority like SEBI, FIU-IND or any other statutory authority.

Records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, as required under Rules 7 and 8 of the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, for a period of eight years from the date of the transaction between the client and the intermediary. In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they shall be retained until it is confirmed that the case has been closed.

Further, the company also complies the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 and the amendment thereof made from time to time.

11. Monitoring of Transactions:

1. Member shall regularly monitor transactions to identify any deviation in transactions / unusual or suspicious activities for ensuring effectiveness of the AML procedures.
2. Member shall pay special attention to all unusually large transactions / patterns, which appears to have no economic purpose.
3. The background including all documents/office records/memorandums/clarifications sought pertaining to such transactions, 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 to SEBI/stock exchanges/FIU-IND/other relevant Authorities, during audit, inspection or as and when required. These records are required to be maintained and preserved for a period of eight years from the date of transaction between the client and intermediary as is required under the PMLA.

12. Suspicious Transactions:

Intermediaries are requested to analyze and furnish details of suspicious transactions, whether made in cash. Suspicious transactions shall also be regularly reported to the higher authorities within the intermediary and the immediate actions required to be taken on the same for the effective operations. Intermediate companies should ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting. It should be ensured that there is no undue delay in analysis and arriving at a conclusion. While determining suspicious transactions, intermediaries shall be guided by the definition of a suspicious transaction contained in Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 as amended from time to time. Indicative types of Suspicious Transactions, Abandoned Transactions, TAT for reporting Suspicious Transactions and additional due diligence for transactions from clients from high-risk countries are also given in the SEBI circular.

Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or appears to be made in circumstance of unusual or unjustified complexity; or appears to have no economic rationale or bonafide purpose.

A) Reasons for Suspicious:

- Identity of client
- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Clients in high-risk jurisdiction

- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities
- Receipt back of welcome kit undelivered at the address given by the client
- Suspicious background or links with criminals

Multiple Accounts

- Large number of accounts having a common parameters such as common partners / directors / promoters / address/ email address / telephone numbers introducer or authorized signatory
- Unexplained transfers between such multiple accounts.

Activity in Accounts

- Unusual activity compared to past transactions
- Use of different accounts by client alternatively
- Sudden activity in dormant accounts
- Activity inconsistent with what would be expected from declared business
- Account used for circular trading

Nature of Transactions

- Unusual or unjustified complexity
- No economic rationale or bonafide purpose
- Source of funds is doubtful
- Appears to be case of insider trading
- Purchases made on own account transferred to a third party through an off market transactions through DP account.
- Transactions reflect likely market manipulation
- Suspicious off market transactions

Value of Transactions

- Value just under the reporting threshold amount in an apparent attempt to avoid reporting
- Large sums being transferred from overseas for making payments
- Inconsistent with the clients apparent financial standing
- Inconsistency in the payment pattern by client
- Block deal which is not at market price or prices appear to be artificially inflated/deflated.

(B). 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 29, 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, 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. Accordingly, SEBI has issued circular ref.no. SEBI/HO/MIRSD/DOP/CIR/P/2021/36 dated March 25, 2021, which outlines a revised and effective implementation of the provisions of Section 51A through an order dated February 02, 2021 superseding the earlier orders and guidelines given on the said subject. Furtherance to the compliance of the aspect, the said guidelines have been further amended via notification dated June 08, 2021 and corrigendum dated 15th March 2023, which the company assures to comply with.

Further in compliance with the provisions of the Section 12A, Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 as an intermediary we prevent such activity or transactions of the client with the person who are prohibited under WMD Act. Any transaction found associated with the Designated list is reported to the Central Nodal Officer. We make sure that the accounts are not opened in the name as mentioned in the designated list.

13. Policy on Identifying and Reporting Suspicious transactions:

The Compliance/Principal Officer for any suspicious transactions will scrutinize transactions filtered out of the following filters in detail. As the Business dynamics are very varied and complex, defining transaction types for reporting will not be undertaken at this juncture (all CTRs, STRs and NTRs). Having said that, the Principal Officer will review all the transactions thrown out by the filters and decides on a case-to-case basis to report to FIU with in stipulated time with complete details.

Further, no nil reporting shall be made if there is no Cash / Suspicious / Non – Profit organization transactions.

These filters will be reviewed regularly for any updations and modifications to make the system more robust and effective.

1. Payment for Payout to all the clients will be only through cheque. No cash payments to be entertained under any circumstances.
2. All third party cheque to the credit of clients account irrespective of the amount.
3. All payment made either by way of Demand Draft / Cheque / Money Transfer/Funds Transfer in foreign currencies irrespective of the amount. In case of DD, it should be accompanied by the letter of bank in case of some unavoidable situation.
4. Deliveries/Payment made through us for more than 250% of the last 3 months average.
5. To discourage the manipulation relating to the financial strength, we have started the provision of updating the financial statements of the clients annually and this is the ongoing procedure.

Information to be Recorded and Reported:

- The nature of the transactions
- The amount of the transaction and the currency in which it was denominated
- The date on which the transaction was conducted
- The parties to the transaction.
- The reason of suspicion

14. Closure of the Accounts:

Where the SIL does not have records of the identity of the existing clients, we immediately take actions to take up records of the clients and if the client does not provide the same within the time then after giving the notice the accounts of the clients are closed.

15. Employee Training:

The Company shall conduct periodic AML/CFT awareness and training programs for employees, authorized persons, branches, dealers, and operational teams.

Training shall cover AML laws, suspicious transaction indicators, sanctions compliance, escalation procedures, operational responsibilities, surveillance alerts, and regulatory developments.

Specialized training shall be provided to Compliance Teams, DP Operations Teams, Surveillance Teams, and senior management personnel handling sensitive functions.

16. Review of policy:

The aforesaid AML policy is reviewed on yearly basis or as and when any new circulars issued by the SEBI or relative exchanges, within one month of the same with regard to testing its adequacy to meet the compliance requirements of PMLA 2002. The Principal Officer is the authority to give directions to undertake additions, changes, modifications etc. as directed by SEBI/ FIU-IND.

17. Conclusion:

Swastika Investmart Limited is committed to maintaining a robust AML/CFT framework and continuously strengthening its systems, governance standards, surveillance mechanisms, and compliance culture.

The Company recognizes that AML compliance is a collective responsibility and therefore all employees, branches, authorized persons, operational teams, and management personnel are expected to actively contribute towards prevention and detection of money laundering and terrorist financing activities