



Prevention of Money Laundering Act, 2002

Company	Registered as	Member of	SEBI Reg. No.
Taurus Corporate Advisory Services Limited	Stock Broker	NSE, BSE, MSEI, MCX	INZ000258036
	Depository Participant	CDSL	IN-DP-646-2021
	Merchant Banker	SEBI	MB/INM000011740
Taurus Treasury Management Services Private Limited	Portfolio Manager	SEBI	PM/INP000004490
Taurus Finsec Private Limited	Stock Broker	BSE	INZ000156633

Policy framed based on Prevention of Money Laundering Act, 2002, the Rules framed there under and Circulars issued by Regulatory Authorities.

SEBI vide Master Circular No. SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023 provided guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules.

The guidelines stipulate the essential principles for combating Money Laundering (ML) and Terrorist Financing (TF) and provides detailed procedures and obligations to be followed and complied with by all the registered intermediaries.

The circular is available at https://www.sebi.gov.in/legal/master-circulars/feb-2023/guidelines-on-anti-money-laundering-aml-standards-and-combating-the-financing-of-terrorism-cft-obligations-of-securities-market-intermediaries-under-the-prevention-of-money-laundering-act-2002-a_67833.html

Earlier, SEBI vide its Master Circular No. SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/113 dated October 15, 2019, provided some additional guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under and Circular on AML/ CFT dated July 04, 2018

Also it was informed that the current Master Circular shall supersede the earlier Master Circular/s



The Master Circular/s requires that, the Registered Intermediaries shall:

- a) Issue a statement of policies and procedures, on a **group basis** where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements
- b) Ensure that the content of these Directives are understood by all staff members
- c) Regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures
- d) Adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF
- e) 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
- f) have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- g) Develop staff members' awareness and vigilance to guard against ML and TF

A. Principal Officer

As per the requirement of Prevention of Money Laundering Act, 2002, Mr. Mihir Mehta has been appointed as the Principal Officer and these has been informed to FIU. Principal Officer will be responsible for reporting any transactions covered under Prevention of Money Laundering Act, 2002.

B. Customer Due Diligence

1. New customer acceptance procedures adopted include following processes:

In order to ensure client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction, following safeguards are to be followed while accepting the clients:

- a) No account is opened in a fictitious / benami name or on an anonymous basis.
- b) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (**KYC**) profile
- c) Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.



- d) Ensure that an account is not opened where the intermediary is unable to apply appropriate CDD measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to the intermediary is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. The market intermediary shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. The market intermediary shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the market intermediary shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.
- e) The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with the intermediary, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.
- f) 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) 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
- h) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

The team may adhere to the following process

- i) Customer identification and verification depending on nature /status of the customer and kind of transactions that are expected by the customer. Also at the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information in respects of Proof of Identity (POI) and Proof of Address (POA) on the purpose and intended nature of the business relationship.
- ii) One certified copy of an 'officially valid document' containing details of his identity and address, one recent photograph and such other documents including in respect of the nature of business and financial status of the client.



- iii) False/ incorrect identification of documents vide matching the details with various sources like PAN, AADHAR, Income Tax return, Driving license, Bank statements, passports, education certificates, Form 16-issued by employer, etc
- iv) Client should remain present for registration personally.
- v) Compliance with guidelines issued by various regulators such as SEBI, FIU, RBI etc.
- vi) Establishing identity of the client, verification of addresses, phone numbers and other details.
- vii) 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.
- viii) Verification of the genuineness of the PAN provided by the client such as comparing with original PAN, checking details on the Income tax website etc.
- ix) Checking original documents before accepting a copy.
- x) Asking for any additional information as deemed fit on case to case basis to satisfy about the Genuineness and financial standing of the client.
- xi) 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.
- xii) Checking whether at any point of time he has been banned from trading in the stock market.
- xiii) 6 KYC attributes i.e. Name, PAN, Address, Mobile Number, Email id and Income Range to up dated for all clients
- xiv) Aadhar authentication may be done as needed

And in all other cases, verify identity while carrying out:

- i) Transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or
 - ii) any international money transfer operations.
- ❖ On-going due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that the same is consistent with knowledge of the customer, his business and risk profile.
 - ❖ Member shall keep any anonymous account or account in fictitious names.

2. For existing clients processes include:

- i) Review of KYC details of all the existing active clients in context to the PMLA 2002 requirements.
- ii) Classification of clients into high, medium or low risk categories based on KYC details, trading activity etc for closer monitoring of high risk categories.
- iii) Obtaining of annual financial statements from all clients, particularly those in high risk categories.
- iv) In case of non-individuals client additional information about the directors, partners, dominant promoters, major shareholders is obtained.



3. Beneficial Ownership

Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted -

i. For clients other than individuals or trusts: Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, it is necessary to identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

aa) 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.

bb) In cases where there exists doubt under clause (aa) 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.

cc) Where no natural person is identified under clauses (aa) or (bb) above, the identity of the relevant natural person who holds the position of senior managing official.

ii. **For client which is a trust:** Where the client is a trust, we need to identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the 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.

iii. **Exemption in case of listed companies:** 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 company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

- iv. **Applicability for foreign investors:** in case of foreign investors' please be guided by the clarifications issued vide SEBI circulars CIR/MIRSD/11/2012 dated September 5, 2012 and CIR/ MIRSD/ 07/ 2013 dated September 12, 2013, for the purpose of identification of beneficial ownership of the client.
- ❖ Verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to above
 - ❖ Understand the ownership and control structure of the client.
 - ❖ Conduct ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with our knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds; and
 - ❖ Periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process

C. Risk based approach:

Following Risk based KYC procedures to be adopted for all clients:

- i. Age, financial background and experience of the client
- ii. One account holder maintaining large number of accounts.
- iii. Trading volumes incompatible with the client's Net worth.
- iv. High sales turnover, that doesn't match the market conditions.
- v. Unexplained transfers between multiple accounts with no rationale
- vi. Unusual activity compared to past transactions.
- vii. Doubt over the real beneficiary of the account.
- viii. Payout/pay-in of funds and securities transferred to /from a third party.
- ix. Off market transactions especially in illiquid stock and in F & O, at unrealistic prices.
- x. Large sums being transferred from overseas for making payments.
- xi. Inconsistent with the clients' financial background.

D. Clients of Special Category (CSC)

- i. Non-resident Individuals (NRI)
- ii. High net-worth Individuals (HNIs)
- iii. Trusts Charities, NGOs and organizations receiving donation
- iv. Companies having close family shareholdings or beneficial ownership
- v. Politically exposed persons (PEP). Politically exposed persons 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/military officers, senior executives of state-owned corporations important political party officials, etc. Relatives of PEPs
- vi. Companies offering foreign exchange offerings.

Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, 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 international terrorism, offshore financial centres, tax havens, countries where fraud is highly prevalent as published by the FATF on its website (www.fatf-gafi.org) from time to time,

- vii. Non face to face clients.
- viii. Clients with dubious reputation as per public information available etc
- ix. Where the client is a juridical person, verify that any person purporting to act on behalf of such client is so authorized and verify the identity of that person.

E. Risk Assessment

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 Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed in the United Nations website at <http://www.un.org/sc/committees/1267/consolist.shtml>. Before opening any new account, it will be ensured that the name/s of the proposed customer does not appear in the list.

Further, 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 should immediately be intimated to SEBI and FIU-IND

The team be vigilant to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person (PEP). Relevant information be sought from the client, referring to publicly available information or accessing the commercial electronic databases of PEPs. Further, the enhanced CDD measures as outlined above shall also be applicable where the beneficial owner of a client is a PEP.

Senior management approval would be necessary for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, senior management approval would be a mandatory requirement to continue the business relationship

The team shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP

Each original document shall be seen prior to acceptance of a copy.

F. Monitoring & Reporting of Suspicious Transactions:

- ❖ "Suspicious transaction" means a transaction whether or not made in cash, which to a person acting in good faith -
 - i. Gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; "OR"

- ii. Appears to be made in circumstances of unusual or unjustified complexity; "OR"
- iii. Appears to have no economic rationale or bonafide purpose; "OR"
- iv. Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

❖ Ongoing monitoring of accounts which includes:

The team shall pay special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose. The team to pay special attention to transactions which exceeds normal limits. The background including all documents/office records /memorandums/clarifications / Identification and detection of apparently abnormal transactions

- i. Generation of necessary reports/alerts based on clients' profile, nature of business, trading pattern of clients for identifying and detecting such transactions. These reports/alerts are analyzed to establish suspicion or otherwise for the purpose of reporting such transactions.

❖ Following parameters are used:

- 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 cash 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 of Rs 10 Lacs specified in PMLA so as to avoid possible reporting;
- x. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- xi. Purchases made on own account transferred to a third party through off market transactions through DP Accounts;
- xii. Suspicious off market transactions;
- xiii. Large deals at prices away from the market.
- xiv. Accounts used as 'pass through'. Where no transfer of ownership of securities or trading is occurring in the account and the account is being used only for funds transfers/layering purposes.
- xv. All transactions involving receipts by non-profit organizations of value more than rupees ten lakh, or its equivalent in foreign currency;
- xvi. Clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'Clients of Special Category'.
- xvii. Such clients should also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced

relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.

- xviii. Irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, file STR if we have reasonable grounds to believe that the transactions involve proceeds of crime."

G. Reporting of Suspicious Transactions

- i. All suspicious transactions will be reported to FIU. Member and its employees shall keep the fact of furnishing information in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 strictly confidential.
- ii. 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 should be made available to auditors and also to SEBI /Stock Exchanges/FIU-IND/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 PMLA 2002.
- iii. The Principal Officer and related staff members shall have timely access to customer identification data and other Customer Due Diligence (CDD) information, transaction records and other relevant information. The Principal Officer shall have access to and be able to report to senior management above his/her next reporting level or the Board of Directors.
- iv. The Principal Officer shall randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.

H. Ongoing training to Employees:

- i. Importance of PMLA Act & its requirement to employees through in-house training.
- ii. Ensuring 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.
- iii. Organising suitable training programmes wherever required for new staff, front-line staff, supervisory staff, etc.

I. Audit and Testing of Anti Money Laundering Program:

The Anti-Money Laundering program is subject to periodic audit, specifically with regard to testing its adequacy to meet the compliance requirements. The audit/testing is conducted by Trading Member's own personnel not involved in framing or implementing the AML program. The report of such an audit/testing is placed for making suitable modifications/improvements in the AML program.



J. Maintenance of record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

- i. All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency.
- ii. All series of cash 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 lakhs.
- iii. All cash transactions where forged or counterfeit currency notes or bank notes 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 cash inter-alia, credits or debits into from any non-monetary account such as demat account, security account maintained by the registered intermediary.

The background including all documents/office records /memorandums/clarifications and other records are required to be preserved for five (5) years as is required under the PMLA as amended in 2013.

Details of key personnel:

Sr. No.	Particulars	KMP-1	KMP-2
01.	Designation	Principal Officer	Compliance Officer
02.	Name	Mr. Mihir Mehta	Ms. Deepali Vartak
03.	Contact No.	022-61471100	022-61471177
04.	Fax No.	022-26104925	022-26104925
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