

**INTERNAL
CODE OF CONDUCT/
CODE
OF
BUSINESS CONDUCT
AND ETHICS
INCLUDING AML STANDARDS**



INNOVATE SECURITIES PRIVATE LIMITED

Registered office:

**1st Floor, "Devashish", 39, Sardar Patel Nagar Road, Near Nest Hotel,
Ellisbridge, Ahmedabad – 380 006**

**Member: NSE/BSE-CM Segment & Derivate Segment
SEBI No: NSE – INB / INF 230700236
BSE – INB / INF 010700236**

**Depository Participant:
Central Depository Services (India) Limited
SEBI No. : ID-DP-CDSL-239-2004**



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INTRODUCTION:

Innovate Securities Private Limited (ISPL) is a member of NSE & BSE – Capital Market Segment & Derivative Segment, DP of CDSL, Mutual Fund distributor and as such, the Company is regulated and governed by the statutory requirements of various rules, regulations, bye-laws of respective exchanges, depositories, SEBI and such other statutory authorities and various applicable provisions of different enactments. Accordingly, ISPL being a member of Exchanges, DP & Mutual Fund distributor is complying with various regulations, as may be applicable in this regard.

The Company announces its Internal Code of Conduct (ICC) or Code of Business Conduct and Ethics (the "Code") as a measure of business practice, compliance to statutory requirements and towards establishing anti-money laundering standards. This code shall equally apply / extend to its entire group or associate concerns and its executives and personnel, all its clients / constituents, either present or future.

OBJECTIVES OF CODE:

- To provide full, fair, accurate, timely and understandable disclosures and to communicate effectively so that full and accurate information to be filed with or submitted to the Stock Exchanges, Securities and Exchange Board of India or other regulatory agencies and full adherence to the Compliance with Laws, Rules and Regulations can be achieved;
- To conduct business affairs with honesty and integrity and in full compliance with all applicable laws, rules and regulations;
- To disseminate information regarding compliance with the laws, rules and regulations that affect our business;
- To protect the Confidential proprietary information generated and gathered in our business which plays a vital role in continued growth and ability to compete.



CODE

ISPL believes that one of its most valuable assets is its reputation for integrity, professionalism and fairness and it recognizes that all actions are the foundation of its reputation and adhering to this Code and applicable law is imperative. This ICC covers certain Internal Rules and Regulations as also General Information to all those who deals with ISPL and are a part and parcel of ICC.

FOR EMPLOYEES AND OPERATORS:

- Each employee, personnel and director should endeavor to deal fairly with clients, investors, the public and one another at all times and in accordance with ethical business practices. No one should take unfair advantage of anyone through manipulation, concealment abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.
- No personnel will use non-public information to trade in securities, or providing a family member, friend or any other person with a "tip", as the same is illegal. All non-public information should be considered inside information and should never be used for personal gain.
- No personnel will execute his / her personal orders / trades in the system prior to the execution of constituents' orders and will always give priority to the orders of constituents.
- No personnel will disseminate the internal information and business secrets for any commercial purpose to the outsiders.
- All personnel shall always maintain all proprietary information in strict confidence, except when disclosure is authorized by superior or required by law.
- All the personnel having come across the Funds/securities of constituents will take due care that the same shall not be improperly used.
- All the personnel will try to guide the constituents about the Risk Disclosure Document (RDD) as specified by the Exchange.
- All the personnel will try to disseminate the correct information related to Securities Market and will try to boost the knowledge of investors.
- All the personnel will take due care and precautions to adhere to the requirements of various rules and regulations and all acts such as Companies Act, 2013, SCRA, Prevention of Money Laundering Act, 2002, SEBI Act, Depositories Act, Income Tax Act and all such other acts as may be applicable to the Company, regarding safe keeping and proper maintenance of records and information.



- All supervisory personnel will conduct Internal Review of our business, to assist in detecting and preventing violations of and achieving compliance with Rules, Bye Laws and Regulations of the Exchange.
- All the personnel will take care for protecting our assets against loss, theft or other misuse. Loss, theft and misuse of the any of the assets, directly impact our profitability. Any suspected loss, misuse or theft should be reported to a manager/supervisor or the Director.
- No user / dealer / terminal operator will try to trade in securities outside the established trading system of the exchange.
- No user / dealer / terminal operator will try to enter order of any constituent at prices of shares other than a share prices disseminated on-line by the Exchange as reference prices.
- All the personnel will conduct his / her affairs in true spirit and with utmost benefit to the organization so as to avoid unnecessary complaints of constituents.
- All the personnel will immediately report of any non-compliances, part-compliances or violations of any of the rules and regulations to superior/higher authority.
- Employees, officers and others are prohibited from taking for themselves, business opportunities that arise through the use of corporate property, information or position.
- All the personnel will thoroughly understand and if required, obtain any clarification from superior/higher authority and will comply with the following POLICY FOR PREVENTION OF MONEY LAUNDERING.



POLICY FOR PREVENTION OF MONEY LAUNDERING:

BACKGROUND:

In response to mounting concern over money laundering worldwide, G-7 summit as held in Paris in the year 1989, a policy making body having Secretariat Organisation for Economic Cooperation and Development (OECD) was established, to work for generating necessary political will / willingness to bring about national legislative and regulatory reforms to combat money laundering and terrorist financing.

World Bank and International Monetary Fund (IMF) have also established a collaborative framework in with Financial Action Task Force (FATF) in this regard. Our country (India) is also one of the member and has been accorded "Observer" status.

OBJECTIVES:

The brief objectives of these provisions is to establish general framework for the fight against money laundering, terrorism, financial crimes and corruption.

- Ensuring that financial institutions are not vulnerable to infiltration or abuse by organized crime groups
- Building capacity to fight terrorism and trace terrorist money
- Meeting binding international obligations and avoiding the risk of sanctions or other actions by the international community
- Avoid becoming heaven for criminals
- Securing a more transparent and stable financial system that is attractive to foreign investors

WHAT IS MONEY LAUNDERING?

- To concealing or hiding financial assets with a view to used it without detection of its source that is illegal activity which produced it.
- Through money laundering, the launder transforms the monetary proceeds derived from criminal activity into funds with an apparent legal source.
- It is the process by which criminals try to hide and disguise the true source / origin and ownership of proceeds of their illegal/criminal activities.
- It may be conversion of illegally earned income in to another form so that it appears as a legitimate income.
- The term "Money Laundering" is also used in relation to financing of terrorist activity (where funds may / may not originate from crime).
- It is a medium through which dirty money insert in the financial system and make such money look clean.



- Money is circulated around the financial system in such a way that its ancestry gets hidden.
- Activities that can be considered as Illegal / Criminal Activity:
Corruption, Bribery, Counterfeiting and Forgery, Smuggling, Extortion, Prostitution, Gambling, Robbery, Fraud, Kidnapping, Tax Evasion, Drug Trafficking

VARIOUS STAGES OF MONEY LAUNDERING:

Placement: It is an initial stage in which money from criminal activities is placed in financial institution. It may be through various methods viz. arranging or breaking up currency transactions in to portion which falls below reporting threshold for specific purpose to avoid reporting requirements.

Layering: It is a process of conducting a complex series of financial transactions with a Purpose of hiding origin of money and hindering any attempt to trace the funds. It may include multiple trades for security, Purchase of financial product such as Life Insurance or purchase of legitimate businesses.

Integration: Last and final stage in the re-injection of the laundered proceeds back in to the economy in such a way that they re-enter the financial system as normal business funds.

CONSEQUENCES OF MONEY LAUNDERING: It,

- Finances terrorism
- Encourage crime
- Endangers society at large
- Weakening of macro economic factors of country
- Affects the integrity of the financial system
- Government control on economy reduces
- Weakening of Law & Order

INDIAN FRAMEWORK:

India has also framed, "The Prevention of Money Laundering Act, 2002" (PMLA) which came into effect w.e.f.1st July, 2005. A separate Foreign Intelligence Unit (FIU-INDIA) is also established as a central monitoring agency / central repository to combat Money Laundering. Necessary notifications / rules / guidelines / circulars / recommendations etc. are also issued and being issued by various regulatory authorities including SEBI from time to time.

APPLICABILITY OF PMLA:

The provisions of the Act are applicable to Banking Company, Financial Institution and Intermediary (which includes, stock broker, sub-broker, share transfer agents, portfolio manager and other intermediaries associated with Securities Market and registered under section 12 of SEBI Act, 1992).



All the aforesaid entities have to maintain a record of all the transactions, its nature and value involved. Such transactions shall include:

- (a) All cash transactions > Rs. 10.00 lakh or its equivalent in foreign currency
- (b) All integrally connected series of cash transactions < Rs. 10.00 lakh or its equivalent in foreign currency within one calendar month
- (c) All suspicious transactions

Suspicious Transactions: means a transaction, whether or not made in cash which, to a person acting in good faith,

- (a) Gives a rise to a reasonable ground of suspicion that it may involve the proceeds of crime
- (b) Identity verification or address seems difficult or found to be forged / false
- (c) Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.
- (d) Unusual and unexplained large value of transaction
- (e) Unusual and unexplained activity in dormant accounts\
- (f) Transfer of large sums of money to / from overseas locations.
- (g) Appears to be made in circumstances of unusual or unjustified complexity
- (h) Appears to have no economic rationale or bona fide purpose.
- (i) Asset Management services where the source of the funds is not clear or not in keeping with apparent standing / business activity

The Company has therefore put in place the following policies which shall be understood and adhered by all the employees and those associated with Innovate Securities Private Limited (ISPL) with immediate effect:

- ISPL is an intermediary registered with SEBI and as such is required to comply with various rules, regulations, byelaws, circulars and such other directions / provisions as may be applicable. Due to the very nature of our business as a matter of compliance, ISPL do not deal in cash transactions from clients. ISPL also maintains proper records of all transactions entered into including adherence to the Regulations of the PMLA, 2002 and accordingly, the Company shall maintain a record of all the transactions specially for the above said purpose which include:
 - a. All cash transactions of the value of more than Rs. 10 lakh or its equivalent in foreign currency, if any.
 - b. All series of cash transactions essentially connected to each other which have been valued below Rs 10 lakh or its equivalent in foreign currency where such series of transactions take place within one calendar month, if any.
 - c. All suspicious transactions whether integrally or remotely connected or related whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as demat account, or security account.



- The Company shall:
- a. Take steps to regularly review the policies and procedures on prevention of money laundering and terrorist financing to ensure their effectiveness. Further in order to ensure effectiveness of policies and procedures, appoint a reviewing officer for the above said purpose.
 - b. Take steps to adopt customer acceptance policies and procedures which are sensitive to the risk of money laundering and terrorist financing.
 - c. Strictly comply with the customer due diligence ("CDD") measures to an extent that is sensitive to the risk of money laundering and terrorist financing depending on the type of customer, business relationship or transaction.
 - d. Take steps to develop staff members' awareness and vigilance to guard against money laundering and terrorist financing.
 - e. Strictly comply with communication of policies relating to prevention of money laundering and terrorist financing to all management and relevant staff that handle account information, securities transactions, money and customer records etc. whether in branches, departments or otherwise.
 - f. Strictly comply with customer acceptance policy and customer due diligence measures, including requirements for proper identification.
 - g. Maintain & storage of relevant records.
 - h. Monitor Compliance with relevant statutory and regulatory requirements;
 - i. Co-operate with the relevant law enforcement authorities, including the timely disclosure of information and such other measures as may be deem fit and proper and required.

PROCEDURES TO COMBAT MONEY LAUNDERING & TERRORIST FINANCING:

The Customer/Client Due Diligence Process includes three specific parameters:

- Policy for Acceptance of Clients
- Client Identification Procedure
- Other Due Diligence
- Suspicious Transactions identification, monitoring & reporting.

CUSTOMER ACCEPTANCE POLICY/ CLIENT DUE DILIGENCE (CDD):

Client Identification and Registration:

This is first stage of contact with the client. It is very important to take adequate details from the clients to maintain a record of the details of the clients.

In-person verification:

In person verification (the "IPV") shall be mandatory for all clients. Accounts shall be opened only for those persons whose in-person verification has been done as per the SEBI/Stock Exchange/Depository or other regulations in this regard. The client should visit the branch of SSL or the authorised official may visit the client at the residence/office to complete the in-per verification procedures.



1. Company registers client by obtaining the Client Registration Form / KYC form including C-KYC which is foremost requirement for any intermediary. In this form the basic details of the clients are obtained.
2. No account is opened in a fictitious / benami name or on an anonymous basis.

Further, following documentary evidences shall be obtained before registering client(s) as a part of KYC form.

Proof of Identity (POI): -

- a. Unique Identification Number (UID) (Aadhaar number card/letter issued by the Unique Identification Authority of India (UIDAI) / Passport/ Voter ID card/ Driving license.
- b. PAN card with photograph. – must be obtained being sole identity [Pan No. must be verified from Income Tax website]
- c. Identity card/ document with applicant's Photo, issued by any of the following:

Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members; and Credit cards/Debit cards issued by Banks.

Proof of Address (POA): -

(*Documents having an expiry date should be valid on the date of submission.)

1. Passport/ Voters Identity Card/ Ration Card/ Registered Lease or Sale Agreement of Residence/ Driving License/ Flat Maintenance bill/ Insurance copy.
2. Utility bills like Telephone Bill (only land line), Electricity bill or Gas bill – Not more than 3 months old.
3. Bank Account Statement/Passbook - Not more than 3 months old.
4. Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
5. Proof of address issued by any of the following: Bank Managers of Scheduled Commercial Banks/ Scheduled Co-Operative Bank/ Multinational Foreign Banks/ Gazetted Officer/ Notary public/ Elected representatives to the Legislative Assembly/ Parliament/ Documents issued by any Govt. or Statutory Authority.



6. Identity card/document with address, issued by any of the following:

Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector undertakings, Scheduled Commercial Banks, public Financial Institutions, Colleges affiliated to Universities and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.

7. For FII/sub account, Power of Attorney given by FII/sub-account to the Custodians (which are duly notarized and/or apostilled or consularised) that gives the registered address should be taken.

8. The proof of address in the name of the spouse may be accepted.

9. Aadhaar Letter issued by UIDAI shall be admissible as Proof of Address in addition to Proof of Identity.

In case of Non-Individuals NRI & Foreign Nations, additional documents to be provided by non-individuals, over & above the aforesaid POI & POA, as specified by SEBI and provided in KYC form or having regard to the requirement to the Prevention of Money Laundering Act, 2002 from time to time etc.

IDENTIFICATION OF BENEFICIAL OWNER:

As per SEBI Circular No. CIR/MIRSD/2/2013 dated on 24th January, 2013, the uniform approach towards determination of beneficial ownership is to be maintained. Accordingly, ISPL shall comply with the following guidelines:

A. 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, the beneficial owners of the client shall be identify and reasonable measures shall be taken 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.

B. For client which is a trust:

Where the client is a trust, the intermediary shall 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.

C. 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.

D. Applicability for foreign investors:

Intermediaries dealing with foreign investors' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012, for the purpose of identification of beneficial ownership of the client.

FATCA-CRS Declaration & Supplementary KYC Information:-

To be obtained from client pursuant to the directives of Ministry of Finance, Government of India, Income Tax Department and circulars of SEBI as a part of KYC and Reporting Requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS).

3. Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (residential / office, permanent or correspondence address and other addresses if applicable), nature of business activity, income / net worth, trading experience etc. The parameters should enable classification of clients into low, medium and high risk. Client 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 KYC profile.
4. It shall be ensured that an account is not opened where it is unable to apply appropriate clients due diligence measures / KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, information provided to the intermediary is suspected to be non genuine, perceived non cooperation of the client in providing full and complete information.



5. In case of politically exposed persons, based on the information available in public domain at the time of client registration process or afterwards, the senior staff of ISPL check and verify the data available in public domain so as to verify whether the client is politically exposed person or not. In such cases, approval of senior management shall be obtained before registering such clients.
6. Proper Record Management System (RMS system) shall be implemented from time to time, so as to verify and establish system of acceptance of proper documents / information / sources etc.
7. Proper checks is been established to check and verify that no further transactions can be carried out by the SEBI debarred or entities debarred / banned by such other statutory authorities can be prevented.
8. Additional due diligence to be exercised in case of the Clients of Special Category (CSC) which include but not limited to:-
 - a. Non-resident clients
 - b. High net worth clients (i.e. the clients having net worth exceeding Rs. 1 Crore and doing the intra-day trading volume of more than Rs. 2 Crore and daily delivery volume more than Rs.1 Crore)
 - 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 international terrorism, offshore financial centres, tax havens, countries where fraud is highly prevalent. For this purpose, establish direct or indirect access to http://www.un.org/sc/committees/1267/aq-sanctions_list.shtml and <http://www.un.org/sc/committees/1988/list.shtml>
 - i. Non face to face clients



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

k. Such Other persons who as per our independent judgment may be classified as CSC.

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

Further, ISPL may **rely upon third party** for carrying out Client Due Diligence (CDD) 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 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 obligations under PML Act as also subject to conditions that are specified in Rule 9 of PML Rules and shall be in accordance with regulations and circulars/guidelines issued by SEBI from time to time.

KYC Documents etc.:

ISPL shall obtain proper KYC documents (including financial information, occupation details and employment details) prior to transaction with clients as may be prescribed. Trading in securities market involves risks of various nature. Therefore as a part of Clients' awareness, ISPL has taken necessary steps such as conducting client/investor awareness programme, providing Rights and Obligations, Guidance Notes, providing guidelines whether forming part of KYC form or otherwise and published the same on its website.

Risk Categorization at the time of account opening:

<u>Category</u>	<u>Particulars</u>
Low Risk	face to face clients, clients forwarded by sub brokers, authorised person, clients introduced by existing face to face clients
Medium Risk	clients introduced by existing but non-face to face clients
High Risk	Non-resident Clients, Client of Special Categories as mentioned in clause 8 above



Risk Category based on Nature of Business Activity, Trading, Turnover etc:-

<u>Risk Category</u>	<u>CM Segment</u>	<u>Derivatives Segment</u>	<u>Payment Mechanism</u>
Low Risk	Average daily turnover < Rs.100 Lakh or net settlement obligation < Rs.50 Lakh	Average daily turnover < Rs.100 Lakh	Regular payment through A/c payee cheque from the Bank A/c already mapped with us
Medium Risk	Average daily turnover > Rs. 100 Lakh but < Rs. 200 Lakh or net settlement obligation > Rs.100 Lakh	Average daily turnover > Rs. 100 lakh but < Rs. 500 Lakh	Payment through A/ c payee cheque from the Bank A/c other than one already mapped with us
High Risk	HNI Clients having average daily turnover of > Rs. 200 Lakh or net settlement obligation of < Rs.100 Lakh	HNI Clients having average daily turnover of > Rs. 500 Lakh	Payment through Banker's Cheque / Demand Draft / NEFT / RTGS / Cash etc.

However, while carrying out transactions for/by the client RMS Team / department should monitor the trading activity of the client and exercise due diligence to ensure that the trading activity of the client is not disproportionate to the financial status and the track record of the client and shall also take effective measures to mitigate the money laundering and terrorist financing risk with respect to all clients, countries or geographical areas, nature and volume of transactions etc. Accounts department should ensure that payment received from the client is being received in time and through the bank account the details of which are given by the client in KYC form or as may be registered with ISPL and the payment through cash / bearer demand drafts should not be entertained.

Further, proper records with audit trail including that of NEFT/RTGS/ECS and other payment modes as may be approved by RBI shall also be maintained and should be made available to competent authorities and self regulatory bodies as and when required.

OTHER DUE DILIGENCE:

As a part of DP related activities, ISPL shall also monitor as under:

- (a) Details of Debits and Credits due to market, off-market or IDP Transfers involving Rs. 5 lakh or more shares in an account, in ISIN, in a single transaction or series of transactions executed during a fortnight.



- (b) Details of Debits and Credits transactions (subject to minimum Rs.5 lakh) in securities debited in a single transaction or series of transaction executed during a fortnight in an account in ISIN exceed 10 times the average size of the transaction. For this purpose, average shall be calculated over the total number of securities in all ISINs debited in account in the past 30 days.
- (c) Details of all transactions involving Rs. 5 lakh or more in an account, in ISIN, in a single transaction or series of transactions in respect of Demat, Remat, Corporate Actions and Pledges executed during a fortnight.
- (d) Dormant Account (means an account where no debit transaction in past one year) shall be subjected to two step verification. If required, necessary confirmation may be obtained from account holder.
- (e) Upon arriving at the conclusion of any transaction as suspicious transaction, the same shall be reported to FIU-IND within prescribed time tome and all necessary records of such intimation shall be maintained and preserved for such Period as may be prescribed.

RECORD KEEPING AND RETENTION OF RECORDS:

ISPL shall maintain and preserve such records as may be required to ensure compliance with record keeping requirements contained in the SEBI Act, 1992, rules and regulations made thereunder, PMLA Act and such other relevant legislations, rules, regulations etc. This would inter alia enable to provide adequate information related to beneficial ownership of the account, volume of fund flows generated through the account, origin and form of funds, person's identity, destination of funds, nature of transactions, amount and currency of transactions, date of transactions, parties to transactions and such other relevant information and ISPL shall made available such relevant information to competent investigating authorities in a timely manner as and when asked for. ISPL shall also preserve all relevant records at-least for the minimum period prescribed under the SEBI Act. Further, the records mentioned in Rule 3 of PML rules shall be preserved at least for a period prescribed in PMLA-2002, SEBI Act, 1992 and other legislations, Regulations or exchange bye-laws or circulars. In case of on-going investigations or transactions which have been subject of a suspicious transaction reporting, the same shall be retained until it is confirmed that the case has been closed.

Thus, the records pertaining to transactions of clients shall be maintained for a period of 5 years or such other period as may be directed by SEBI and other competent authority(ies). The records pertaining to identity of clients and BOs (such as copies of passport, identity cards, driving license or similar documents) as well as account files and business correspondence shall be maintained and preserved for a period of 5 years after the business relationship between clients and ISPL has ended or the account has been closed, whichever is later. Further, the record of information related to transactions whether attempted or executed as may be reported to Director-FIU-IND shall be maintained and preserved for a period of 5 years for the date of transactions between clients and ISPL.



ISPL has appointed 'OEC Records Management Company Private Limited' w.e.f. 27th June, 2017 for records keeping in respect of records of its DP operations and other record that may be deemed fit and has obtained necessary statutory approval for the purpose.

FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES:

To cope with Unlawful Activities of terrorist, the Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of the relevant Section of the Unlawful Activities (Prevention) Act, 1967 (UAPA) as amended from time to time.

Under the same, the Central Government has the specified powers to freeze, seize or attach funds and other financial assets or economic resources of the persons covered under the said Order or any other person engaged in or suspected to be engaged in terrorism. It is the humble responsibility of ISPL to fully implement and comply the said Order.

SUSPICIOUS TRANSACTION MONITORING AND REPORTING:

Appropriate and adequate steps shall be implemented to enable suspicious transactions' recognition. The compliance department or such other person entrusted to handle the task, shall randomly examine a selection of transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not. And as per our observations, if any transaction of suspicious nature is identified it must be brought to the notice of the superior / Head of the Department for ultimate reporting by Principal Officer to submit report to the FIU-IND if required. However, it should be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall not be told of the report/suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken.

The Principal Officer shall act as a central reference point in facilitating and co-operating with competent investigating authority. Additionally, ISPL shall appoint Designated Director as defined in terms of Rule 2(ba) of PML Rules who shall be either Managing Director or Whole Time Director so as to ensure overall compliance with the obligation imposed under Chapter IV of PMLA Rules. Any changes either in Principal Officer or Designated Director shall be intimated to FIU-IND and other competent authority(ies) in prompt manner.

POLICY FOR RECRUITMENT OF PERSONNEL:

The HR Department is instructed to cross check all the references and should take adequate safeguards to establish the authenticity and genuineness of the persons before recruiting. The department should obtain necessary documents such as Photographs, Proof of address, Identity proof, Proof of Educational Qualification, References etc.

Periodic Training or as per the requests of employees on case to case basis, shall be imparted to employees in front office, back-office, compliance division, RMS division, account opening staff etc. so as to adequately train them in Anti Money Laundering (AML) and Combating the Financing of Terrorism (CFT) procedures.



INVESTORS' EDUCATION:

Implementation of AML/CFI measures requires back office and trading staff to demand certain information from investors which may be of personal nature or which have hitherto 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 customer with regard to the motive and purpose of collecting such information. There is, therefore, a need for the back office and trading staff to sensitize their customers about these requirements as the ones emanating from AML and CFT framework. In order to address such a situation, ISPL would include the same in the Investor Awareness programs to be conducted at frequent intervals of time.

Any of the aforesaid notice, doubts, non-compliances, suspicion, etc. must be notified to immediately to the Principal Officer for further reporting and such other actions as may be statutorily fit and proper.

Under no circumstances the requirements in this policy shall be violated by anyone concerned in the offices, branch offices of Innovate Securities Private Limited (ISPL) or those associated as sub brokers, authorised persons with ISPL. Head of the departments are requested to issue suitable directions, based on the above policy/guidelines, to all concerned. They are also requested to educate the staff concerned the contents in this policy letter and give instruction for the strict compliance. Head of the departments shall be made accountable for non compliance and personnel responsible for infringement shall be strictly warned/proceeded against appropriately.

REVIEW:

The policy and procedures on the prevention of anti money laundering and terrorist financing shall be reviewed periodically to ensure their effectiveness in accordance with regulatory changes.

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.

NOTE: This policy has been reviewed in terms of SEBI's Master Circular no. SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2018/ 104 dated 4th July, 2018 and all other amendments made therein by Board of Directors of ISPL during its meeting held on 12th April, 2019 and being circulated to all concerned for compliance of the same.

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