

FORTUNE WEALTH MANAGEMENT CO. INDIA (P) LIMITED

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PMLA - for Investors Education

Implementation of AML/CFT (Anti Money Laundering / Combating Financing of Terrorism) measures requires intermediaries 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 intermediaries to sensitize their customers about these requirements as the ones emanating from AML and CFT framework. Intermediaries should prepare specific literature pamphlets etc. so as to educate the customer of the objective of the AML/CFT program.

To educate investors about

AML/CFT measures required

As per SEBI circular ISD/CIR/RR/AML/1/06 dated January 18, 2006 and Master circular on AML/CFT standards No. ISD/AML/CIR-1/2008 dated December 19, 2008

1. Background:

1.1 Pursuant to recommendation made by Financial Action Task Force (FATF) on Anti Money Laundering Standards(AML), Securities and Exchange Board of India (SEBI) had issued guidelines on AML vide their notification No. ISD/CIR/RR/AML/1/06 dated January 18, 2006 and vide letter no ISD/CIR/RR/AML/2/06 dated March 20, 2006 had issued obligations of the intermediaries registered under section 12 of SEBI Act 1992, As per these guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the guidelines on AML notified by SEBI.

2. Financial Intelligence Unit (FIU) - INDIA

1.2 Government of India has set up FIU on November 18,2004 as an independent body to report directly to the Economic Intelligence Council headed by the Finance Minister.

1.3 FIU has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transaction. FIU is also responsible for coordinating and stretching efforts of national and international intelligence agencies in pursuing the global efforts against money laundering and related crimes.

3. Prevention of Money Laundering Act 2002 (PMLA)

1.4 PMLA forms the core of legal framework put in place by India to combat money laundering. PMLA and rules notified there under came into force wef July 01,2005.

1.5 PMLA and rules notified there under impose an obligation on intermediaries to verify identity of their clients maintain records and furnish information to FIU.

4. Policy of Fortune Wealth Management Co. India (P) Ltd., (FWMC)

1.6 It is resolved that it would take adequate measures to prevent money laundering and shall put in place a frame work to report suspicious transactions to FIU as per the guidelines and rules of PM LA

5. Implementation of AML Policy.

1.7 Principal officer will be responsible for.

1.7.1 Compliance of PM LA and AML Guidelines.

1.7.2 Identification of potentially suspicious transactions.

1.7.3 ensure that FWMC discharges its obligation to file suspicious transaction report (STR) to concerned authorities.

6. Customer Due Diligence

- Main parameters to be considered are
- Policy for acceptance of clients
- Procedure for identifying the clients
- Transactions monitoring and reporting especially STR

1.8 Obtaining sufficient information about the client and identify actual beneficiary of transactions or on whose behalf transactions are conducted.

1.9 Verify customer's identity

1.10 Conduct on-going due diligence, scrutiny of account/client to ensure that the transaction are consistent with the client's background / financial status, activities and risk profile till the clients are having business association with the Company.

7. Customer acceptance policy

1.11 KYC procedure compliance: The clients who are able to comply with KYC procedures laid down would only be accepted, KYC and MCA forms are to be completely filled up by client. All photocopies submitted by client must be verified with originals. The client should be met by branch manager or Dealer in person compulsorily.

1.12 Introduction: The details of person introducing prospective client should be recorded and it should preferably be an existing client.

1.13 Not to accept the client having criminal background: Check if the identity of client matches with person having criminal background, whether exists in debarred entities, whether any civil or criminal proceedings against client by any enforcement or regulatory agencies.

1.14 Special care shall be taken for clients in special category which are

1.14.1 Non Resident Clients

1.14.2 High Net worth Clients

1.14.3 Trust, Charities, NGOs and Organisations receiving donations

1.14.4 Companies having close family shareholdings or beneficial ownership

1.14.5 Politically exposed persons(PEP) or persons of foreign origin

1.14.6 Current / Former Head of State, Current / Former Senior high profile politicians and connected persons (Immediate family, Close advisors and companies in which such individuals have interest or significant influence)

1.14.7 Companies offering foreign exchange offerings.

1.14.8 Client 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 with 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 centers, countries where fraud is highly prevalent.

1.14.9 Non face to face Client

1.14.10 Clients with dubious public reputation as per public information available etc.,

8. **Customer Identification Procedure:**

8.1 The first requirement of customer identification procedure is to be satisfied that a prospective customer is who he/she claims to be.

8.1.1 The second requirement of customer identification procedures is to ensure that sufficient information is obtained on the nature of the business that the customer expects to undertake and any expected or predictable pattern of transactions. The information collected will be used for profiling the customer.

8.2 Identity to be verified for:

- The named account holder
- Beneficial owners
- Signatories to an account and
- Intermediate Parties

- 8.2.1 The customer Identification procedures are to be carried out at the following stages:
- 8.2.2 While establishing a customer relationship
- 8.2.3 The company ensures that the transactions happened in the client account are consistent with the company's knowledge of the client, its business and risk profile taking into account, where necessary based on the risk profile ie the client's source of funds and the company shall periodically update all documents, data or information of all clients and beneficial owners collected under the customer due diligence process.
- We 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 (these can be accessed at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and <http://www.un.org/sc/committees/1988/list.shtml>).
- 8.2.4 Wherever applicable, information on the nature of business activity, location, mode of payments, volume of turnover, social and financial status etc., will be collected for completing the profile of the customer.
- 8.2.5 Customers will be classified into three risk categories namely High, Medium and Low, based on the risk perception. The risk categorization will be reviewed periodically

9. Risk profiling of client

9.1 We will accept the clients based on the risk they are likely to pose. The aim is to identify clients who are likely to pose a higher than average risk of money laundering or terrorist financing. For this purpose, we need to classify the clients as low risk, medium risk and high risk clients. By classifying the clients, company would be in a better position to apply appropriate 'Customer Due Diligence process i.e., high degree of due diligence for high risk and normal for others.

9.2. In order to achieve this objective all clients of the branch should be classified in the following category :

Category A - Low Risk

Category B - Medium Risk

Category C - High risk

9.2.1. Category A clients are those who pose low or nil risk. They are good corporate's / HNIs who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares.

9.2.2. Category B clients are those who are intraday clients or speculative clients. These are the clients who maintain running account with FWMC.

9.2.3. Category C clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc.

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

Risk Category	CM Segment	Derivatives Segment	Payment Mechanism
Low Risk	Average daily turnover < Rs.100 lakhs or net settlement obligation < Rs.25 lakhs	Average daily turnover < Rs. 300 lakhs	Regular payment through A/c payee cheque / Neft/ Rtgs from the Bank A/C already mapped with us
Medium Risk	Average daily turnover > Rs.100 Lakhs but < Rs. 500 Lakhs or net settlement obligation > Rs.25 lakhs but < Rs.100 Lakhs	Average daily turnover > Rs.300 Lakhs but < Rs. 800 Lakhs	Regular payment through A/c payee cheque/ Neft/ Rtgs from the Bank A/C already mapped with us
High Risk	HNI Clients having average daily turnover of > 500 Lakhs Or Net settlement obligation of >Rs.100 lakhs	average daily turnover of > Rs.800 Lakhs	Payment through A/ c payee cheque / Neft/ Rtgs from the Bank A/C other than one already mapped with us or by demand draft , 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 the Company 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.

9.3. We have to be careful while monitoring the transactions of C category clients.

9.4. Apart from this we need to exercise extra caution while monitoring the transactions of NRI/NRE/PIO and foreign clients, especially when the payment is being made in foreign currency.

9.5. Any change in the risk profile of the client/mandate holder, has to be ascertained by the concerned branch officials, and reported to the Head Office immediately.

10 Reliance on third party for carrying out Client Due Diligence (CDD)

The Company is not relied on the third party for carrying out the client due diligence. All activities of CDD are done by the company employee's only.

11. Suspicious transactions monitoring, reporting and record keeping:

All are requested to analyze and furnish details of suspicious transactions, whether or not made in cash. It should be ensured that there is no undue delay in analysis and arriving at a conclusion.

11.1 Gives rise to reasonable ground of suspicion that it may involve the proceeds of crime Appears to be made in circumstance of unusual or unjustified complexity. Appears to have no economic rationale or bonafide purpose.

11.2 What to Report

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: and

The parties to the transaction.

The reason of suspicion.

11.3 The Processes for alert generation, examination and reporting include Audit trail for all alerts generated and reported to Principal officer of the Company. The principal officer will report to FIU if required as per the observations received from authorities like NSE, BSE and CDSL.

11.4 We ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PLM act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars and the following records are being maintained by the Company:

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

We shall ensure that all client and transaction records and information are available on a timely basis to the competent investigating authorities where ever required. The investigating authority shall retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed there-under PMLA.

Any suspicious transaction shall be immediately notified to the Principal officer within Fortune Wealth Management Co. India Pvt Ltd. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it shall 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 and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

12 EMPLOYEES HIRING, EMPLOYEES TRAINING AND INVESTOR EDUCATION:

12.1 Hiring of Employees: We shall have adequate screening procedures in place to ensure high standards when hiring employees, having regard to the risk of money laundering and terrorist financing and the size of the business, we ensure that all the employees taking up such key positions are suitable and competent to perform their duties.

12.2 On going training to Employees:

- 1) Importance of PMLA Act & its requirement to employees through training.
- 2) 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.
- 3) Organising suitable training programmes wherever required for new staff, front-line staff, sub-brokers, supervisory staff, controllers and product planning personnel.

12.3 Audit/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 member's own personnel not involved in framing or implementing the AML program or it may be done by a qualified third party. The report of such an audit/testing is placed before the senior management for making suitable modifications/improvements in the AML program.

13. List of Designated Individuals/Entities

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

14. Procedure for freezing of funds, financial assets or economic resources or related services.

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

15. Reporting to Financial Intelligence Unit-India

15.1 In terms of the PMLA Rules, intermediaries are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND, Financial Intelligence Unit-India, 6th Floor, Hotel Samrat,
Chanakyapuri, New Delhi-110021. Website: <http://fiuindia.gov.in>

16. Principal Officer:

Company will designate a senior officer as Principal Officer who shall be responsible for implementation of and compliance with this policy. His illustrative duties will be as follows:

- 16.1 No Benami/fictitious client account to be opened.
- 16.2 He should review the client's financial status on a regular basis.
- 16.3 If the client gives any fictitious documents, the client account should not be opened.
- 16.4 Before opening any client account the Principal officer should scrutinize the application, background of the client, client's financial position and the correctness of the document submitted by the client.
- 16.5 Any failure by prospective client provide satisfactory evidence of identity should be noted and immediately reported to the Board of Directors.
- 16.6 The Principal Officer should check periodically the deliveries given by the client are coming from their own DP account.

- 16.7 The Principal Officer should also check periodically cheques given by the client's for payin purpose are from his own account.
- 16.8 The Principal Officer should periodically monitor the transactions of the high net worth clients and give report to the management.
- 16.9 If any suspicious transaction is found, it should be brought to the notice of the management immediately.
- 16.10 The company is not doing any cash transactions with the clients. If at all under any circumstances, such transaction arises, the Principal Officer should scrutiny completely the genuineness of such transaction and get prior approval from the management.
- 16.11 Under no circumstances cash transaction more than the value of Rs.10,00,000/- (Ten Lakhs Only) or its equivalent in Foreign currency should not be happened.

In case any further information or clarification is required the Principal officer/Designated Director may be contacted at:

Details of the Principal Officer

Mr K Ramesh
FORTUNE WEALTH MANAGEMENT CO. INDIA PVT. LTD.,
1056, Avinashi Road, Opp : The Nilgiris,
Coimbatore - 641 018. Phone : 0422 - 4334333 (Board)
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Details of the Designated Director :

Mr Jose C Abraham, Managing Director
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17. Review of the Policy:

The policy will be reviewed on yearly basis.

