



**M.D. OVERSEAS LTD.**

**Premier Trading House/Nominated Agency**

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CIN: L52110DL1980PLC011099

# **Prevention of Money Laundering Policy**

**Adopted by:  
M.D. Overseas Limited**



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**Policy framed based on Prevention of Money Laundering Act (PMLA), 2002 and the Rules framed thereunder.**

**Customer Due Diligence/KYC Standards**

**New customer acceptance procedures adopted include following processes:**

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



**For existing clients processes include:**

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

**Risk based approach:**

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

Following Risk based KYC procedures are adopted for all clients:

1. Large number of accounts having a common account holder
2. Unexplained transfers between multiple accounts with no rationale
3. Unusual activity compared to past transactions
4. Doubt over the real beneficiary of the account
5. Funds transferred to /from a third party
6. Off market transactions especially in illiquid stock and in F & O, at unrealistic prices
7. Large sums being transferred from overseas for making payments
8. Inconsistent with the clients' financial background

**Clients of special category (CSC)**

Such clients include the following:

- a. Non resident clients
- b. High net worth clients
- c. Trust, Charities, NGOs and organizations receiving donations
- d. Companies having close family shareholdings or beneficial ownership
- e. Politically exposed persons (PEP) of foreign origin
- f. Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)
- g. Companies offering foreign exchange offerings
- h. Clients in high risk countries (where existence / effectiveness of money laundering controls is



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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 centers, tax havens, countries where fraud is highly prevalent.

- i. Non face to face clients
- j. Clients with dubious reputation as per public information available etc.

### **Monitoring & Reporting of Suspicious Transactions:**

Ongoing monitoring of accounts which includes

1. Identification and detection of apparently abnormal transactions.
2. 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) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
  - x) Purchases made on own account transferred to a third party through off market transactions through DP Accounts;
  - xi) Suspicious off market transactions;
  - xii) Large deals at prices away from the market.

### **Reporting of Suspicious Transactions:**

Processes for alert generation, examination and reporting include:

Audit trail for all alerts generated till they are reported to FIU / closed

Clear enunciation of responsibilities at each stage of process from generation, examination, recording and reporting



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Escalation through the organization to the principal officer designated for PMLA

Confidentiality of STRs filed

Retention of records

Any suspicious transactions will be reported to

Director FIU- IND

Financial Intelligence Unit – India

6<sup>th</sup> Floor, Hotel Samrat,

Kautilya Marg, Chanakyapuri

New Delhi 110021 - India

Telephone Nos.

91 -11-26874429 (PABX)

91-11-24109792/93 (Helpdesk)

FAX – 91-11-26874459

### **Ongoing 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 programs wherever required for new staff, front-line staff, sub-brokers, supervisory staff, controllers and product planning personnel.

### **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.