

PRABODH ARTHA WARDHINI PVT. LTD.

Trading Member of NSE - INZ000251639

CDSL DP Id - 12037500

Policy framework in accordance to Prevention of Money Laundering Act, 2002

Policy created by : Compliance Head	Policy created on : 01.10.2014
Policy approved by : Board of Directors	Policy approved on : 28.02.2025
Policy reviewed by : Internal Auditor	Policy reviewed on : 04.03.2025
Effective date of implementation	28.02.2025
Periodicity of Review	Yearly
Officer responsible for implementation : Compliance Officer/Designated Directors	Both

Circular References:

1	SEBI/MRD/SE/Cir- 33/2003/27/08	August 27,2003
2	ISD/CIR/RR/AML/1/06	January 18, 2006
3	ISD/CIR/RR/AML/2/06	MAR 20, 2006
4	ISD/AML/CIR-1-08	December 19,2008
5	ISD/AML/CIR-1-09	September 01,2009
6	CIR/ISD/AML/1/2010	February 12,2010
7	CIR/ISD/AML/2/2010	June 14, 2010
8	CIR/ ISD/ AML/ 3/ 2010	December 31, 2010
9	CIR/MIRSD/2/2013	January 24,2013
10	CIR/ MIRSD/ 1/ 2014	March 12, 2014
11	CIR/MIRSD/ 66 /2016	July 21,2016
12	SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95	September 26,2016
13	CIR/MIRSD/120 /2016	November 10,2016
14	SEBI/HO/MIRSD/DOP/CIR/P/2019/110	October 15, 2019
15	SEBI/HO/MIRSD/DOP/CIR/P/2019/113	October 15, 2019
16	SEBI/HO/MIRSD/RTAMB/CIR/P/2019/122	November 5,2019
17	SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022	February 03, 2023
18	SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2023/091	June 16, 2023
19	SEBI/HO/MIRSD/SEC-FATF/P/CIR/2023/0170	October 13, 2023
20	SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2024/78	June 06, 2024

Introduction:-

Prabodh Artha Wardhini Pvt. Ltd. (PAWPL) is a SEBI Registered Trading Member of NSE and a Depository Participant of CDSL since January, 2005 and provides share broking services and Demat related services to the Investors.

The **Prevention of Money Laundering Act, 2002 (PMLA)** has been brought into force with effect from 1st July, 2005. Necessary Notifications /Rules under the said Act have been published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance, Government of India.

As per the SEBI circular ISD/CIR/RR/AML/2/06 dated March 20, 2006, all the intermediaries registered with SEBI under Section 12 of the SEBI Act were advised to ensure that a proper policy framework on anti-money laundering measures is put into place. Further the policy needs to be reviewed from time to time and if felt necessary it shall be amended accordingly.

The guidelines of PMLA 2002 vide SEBI Circular CIR/ISD/AML/3/ 2010 December 31, 2010 (Master circular on AML/CFT) are applicable to all SEBI registered intermediaries. As PAWPL is a registered intermediary of SEBI, the guidelines framed in PMLA 2002 and the modifications takes place in the Act from time to time are applicable to us. Accordingly, PAWPL has framed their policy on the basis of these circular guidelines.

Provisions of PMLA, 2002:

The provisions of PMLA, 2002 (Section 12 of the PMLA, 2002) casts certain obligations on the intermediaries in regard to adhere to client account opening procedures and maintain the records of transactions as prescribed by the PMLA and rules notified there under.

SEBI has issued necessary directives vide circulars, from time to time, covering issues related to Know Your Client (KYC) norms , Anti- Money Laundering (AML), Client Due Diligence (CDD) and Combating Financing of Terrorism (CFT). The directives lay down the minimum requirements and it is emphasized that the intermediaries may, according to their requirements, specify additional disclosures to be made by clients to address concerns of money laundering and suspicious transactions undertaken by clients.

The references to applicable statutes and reporting guidelines for intermediaries are available at the website of the Financial Intelligence Unit – India (FIU-IND). Directives to all intermediaries under Section 12 of the SEBI Act are also issued in the context of compliance with the standards set by the Financial Action Task Force (FATF) on AML and CFT.

Objectives of the PMLA Policy:

The main objectives of the PMLA are:

1. To have a proper Customer Due Diligence (CDD) process before registering clients;
2. To monitor / maintain records of all cash transactions of the high value of i.e.Rs.10 lacs or more;
3. To maintain records of all series of integrally connected cash transactions within one calendar month or the period specified by the regulators;
4. To monitor and report suspicious transactions to FIU-IND;
5. To identify and discourage money laundering and terrorist financing activities;
6. To take adequate and appropriate measures to follow the spirit of the PMLA.
7. To undertake review of the policy and to do the necessary amendments if required.

PMLA Policy Review –

As per the directives, PAWPL has reviewed this policy on once in a year basis and have ensured that the necessary amendments as suggested by the regulators have been incorporated in the policy. The policy was reviewed by the management on 28th February 2025 and endorsed by the board of Directors.

The policy framework of Prabodh Artha Wardhini Pvt. Ltd. :-

In order to discharge the statutory responsibility to detect possible attempts of money laundering or such type of act on part of our clients and customers, PAWPL has formulated the policy framework in accordance to PMLA Act, 2002 in following manner.

- Appointment of Principal Officer
- Establishing internal policies, procedures, and controls;
- Identifying and Reporting Suspicious Transactions
- Record Keeping and Retention of Record
- Appointment of Staff/Training/Investor Training
- Review of the policy

1. Appointment of Principal Officer and Designated Director:

1.1 - Appointment of Principal Officer:

As per the SEBI circular ISD/CIR/RR/AML/2/06 dated March 20, 2006, all the intermediaries registered with SEBI under Section 12 of the SEBI Act were advised to designate an officer as 'Principal Officer' and intimate their details to the Financial Intelligence Unit, India on an immediate basis.

Accordingly, Manisha Baban Vidhate is designated as a Principal officer. As required, the details of the Principal officer were intimated to Director, she will report it further to FIU-IND.

1.2 - Appointment of Designated Director:

As per the SEBI circular CIR/MIRSD/1/2014 dated March 12, 2014, all the intermediaries registered with SEBI under Section 12 of the SEBI Act, PAWPL has appointed Shri. Mohan Gujarathi as a Designated Director. The details of the Designated Director were also intimated to Director, FIU-IND, New Delhi 110021 on June 5, 2014.

2. Establishing internal policies, procedures, and controls:

'Know your Client' (KYC) policy –

Client identification procedure to be carried out at different stages i.e. at the time of establishing relationship with the client, while carrying out transactions for the client or when PAWPL has doubts regarding the veracity or the adequacy of previously obtained client identification data.

KYC /client identification procedures should be as per the norms specified by SEBI from time to time. For this purpose following circulars issued by SEBI has to be referred.

1. SEBI circular no. SMD/POLICY/CIRCULARS/5-97 dated April 11, 1997 – for broker client agreements;
2. SEBI circular no. SMD-1/23341 dated November 18, 2003 – for mandatory requirement to obtain details of clients;

3. SEBI circular no/ SEBI/MIRSD/DPS-1/Cir-31/2004 dated August 26, 2004- for uniformity in documentary requirements across the exchanges as also to avoid duplication and multiplicity of documents;
4. SEBI Circular SMDRP/Policy/Cir-36/2000 dated August 04, 2000, circular no. MRD/DOP/Dep/Cir-29/2004 dated August 24, 2004 and circular no. MRD/DoP/Dep/Cir-12/2007 dated September 7, 2007 for KYC requirements.
5. SEBI Circular reference MRD/DoP/Cir-05/2007 dated April 27, 2007 – for PAN as a sole identification number for all participants transacting in the securities market.
6. SEBI circular MRD/DoP/MF/Cir-08/2008 dated April 03, 2008 and MRD/DoP/Cir-20/2008 dated June 30, 2008 – regarding certain exemptions granted for PAN
7. SEBI Circular MIRSD/SE/Cir-21/2011 regarding- Uniform Know Your Client (KYC) Requirements for the Securities Markets.
8. SEBI Circular CIR/MIRSD/2/2013 January 24, 2013 regarding guideline on Identification of Beneficial Ownership.
9. SEBI circular CIR/MIRSD/120/2016 dated November, 10, 2016 – regarding uploading existing clients KYC details with CKYCR
10. SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169 dated October 12, 2023 regarding know your client

2.1 Know Your Client (KYC) -

PAWPL has adopted the client identification program containing the requirements as laid down in Rule 9 and such other additional requirements considered appropriate.

In accordance to the amendments in SEBI Circular CIR/MIRSD/1/2014 dated March 12, 2014, the records of the identity of all types of clients shall be maintained and preserved for a period of minimum Eight years from the date of cessation of the transactions between the client and PAWPL.

PAWPL shall take the efforts to determine the true identity of prospective Client/BO's who wish to avail the services.

At the time of registration of prospective client, PAWPL will ensure that that all documents pertaining to proof of identity and proof of address are collected from all the account holders.

Client has to submit the aforesaid documents as a basic requirement for opening trading/BO Account. An official person who is the employee is authorized to collect and verify these documents must verify the copy of the aforementioned documents with the original before accepting the documents for registration.

While opening an account, PAWPL shall exercise due diligence while establishing the identity of the person.

As a part of due diligence (CDD) process, PAWPL shall update of KYC documents for the client as and when any change in the given details is intimated by the client/BO. PAWPL shall collect the required details from the client/BO whenever it finds any transaction of the suspicious nature. In case of dormant client wishes to reactivate his/her account, DP/TM will collect all the necessary KYC information, i.e. contact number, signatory details, bank account details from the respective client/BO or anytime due diligence (CDD) process. PAWPL shall ask to provide the latest KYC details on year-to-year basis so as to keep its records updated.

To update the IT Systems as well as register all new accounts of individuals in accordance with CKYCR template. To upload KYC data of the existing individual clients with CKYCR before 31st December 2016.

2.1.1 Proof of Identity:

With effect from July 02, 2007, PAN is the sole identification number for all transactions in the securities market, irrespective of the amount of transaction. A copy of the PAN card with photograph shall be accepted as Proof of Identity.

- I. There is a system in place so that the databases of the clients and their transactions are linked to the PAN details of the client.
- II. There is an infrastructure to enable accessibility and query based on PAN thereby enabling retrieval of all the details of clients
- III. The official of PAWPL will collect copy of PAN card issued to the existing/new clients by the IT Department and maintain the same in record after verifying with the original
- IV. The official of PAWPL shall also cross-check the aforesaid details collected from their clients with the details on website of IT Department
<https://www.incometax.gov.in/iec/foportal/>
<https://eportal.incometax.gov.in/iec/foervices/#/pre-login/verifyYourPAN>
<http://incometaxindiaefiling.gov.in/challan/enterpanforchallan.jsp>
- V. PAWPL ensure that the PAN-Aadhaar linkage verified at the time of new demat/trading account opening as well as unfreezing the existing demat/trading accounts are complied with the successful PAN – Aadhaar linkage verification of all eligible investors.

The following documents shall be accepted as PoI: Officially valid document (OVD) defined as per Rule 2 (d) of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (PML Rules):

the passport;

(1) the driving licence;

(2) proof of possession of Aadhaar number;

(3) the Voter's Identity Card issued by Election Commission of India;

(4) job card issued by NREGA duly signed by an officer of the State Government;

the letter issued by the National Population Register containing details of name address; or

any other document as notified by the Central Government in consultation with the Regulator.

Further, in terms of proviso to the above Rule, where simplified measures are applied for verifying the identity of the clients, the following documents shall also be deemed to be officially valid document:

Identity card/ document with applicant's photo, issued by the Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks and Public Financial Institutions;

Letter issued by a gazetted officer, with a duly attested photograph of the person.

2.1.2 Proof of Address:

As per guidelines mentioned in the SEBI Circular SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169 dated Octboer 12, 2023 and CVL/OPS/INTERM/GENRL/22-153

The list of Officially Valid Documents is as under:

1. Proof of possession of Aadhaar
2. Driving License

3. Passport
4. Voter ID
5. NREGA Job Card
6. National Population Register (NPR) letter.

In case of officially valid document furnished by the client does not contain updated address, the following documents shall be deemed to be officially valid documents for the limited purpose of proof of address:

1. Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill)
2. Property or Municipal tax receipt
3. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address
4. Letter of allotment of accommodation from employer issued by State Government or Central
5. Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation:

Provided that the client shall submit updated officially valid document with current address within a period of three months of submitting the above documents

In case of non-individuals, additional documents to be obtained from non-individuals, over & above the POI & POA, as mentioned below:

Sr. No.	Type of Entity	Documentary requirements
1	Corporate body	a. Certificate of incorporation. b. Memorandum and Articles of Association. c. Board Resolution for investment in securities market. d. Power of Attorney granted to its managers, officers or employees, as the case may be, to transact on its behalf. e. Authorised signatories list with specimen signatures. f. Copy of the balance sheet for the last financial year (initially for the last two financial years and subsequently for every last financial year). g. Latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/whole time director/ MD (to be submitted every year). h. Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations. i. Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly.

2	Partnership firm	a. Certificate of registration (for registered partnership firms only). b. Copy of partnership deed. c. Copy of the balance sheet for the last financial year (initially for the last two financial years and subsequently for every last financial year). d. Authorised signatories list with specimen signatures. e. Photograph, POI, POA, PAN of Partners.
3	Trust	a. Certificate of registration (for registered trust only). b. Copy of Trust deed. c. Copy of the balance sheet for the last financial year (initially for the last two financial years and subsequently for every last financial year). d. List of trustees certified by managing trustees/CA. e. Photograph, POI, POA, PAN of Trustees.
4	HUF	a. Deed of declaration of HUF/ List of coparceners. b. Bank pass-book/bank statement in the name of HUF. c. Photograph, POI, POA, PAN of Karta.
5	Unincorporated association or a body of individuals:	a. Proof of Existence/Constitution document. b. Resolution of the managing body & Power of Attorney granted to transact business on its behalf. c. Authorized signatories list with specimen signatures.
6	Banks/Institutional Investors:	a. Copy of the constitution/registration or annual report/balance sheet for last financial year (initially for the last two financial years and subsequently for every last financial year). b. Authorized signatories list with specimen signatures.
7	Army/ Government Bodies:	a. Self-certification on letterhead. b. Authorized signatories list with specimen signatures.
8	Registered Society	a. Copy of Registration Certificate under Societies Registration Act. b. List of Managing Committee members. c. Committee resolution for persons authorised to act as authorised signatories with specimen signatures. d. True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.

2.1.4. HUF, Association of Persons (AoP), Partnership Firm, unregistered Trust, Registered Trust, Corporate Bodies, minors, etc.:

To be ensured that the BO account shall be in the name of natural persons, PAN card details of the respective HUF, AoP, Partnership Firm, Unregistered Trust, etc shall be obtained. The PAN number of

Registered Trust, Corporate Bodies and minors shall be obtained when accounts are opened in their respective names. List of authorized persons to transact approved by the board of directors resolution, MoA/AoA/Registration certificate of the entity should be collected.

In accordance to SEBI Circular SEBI/HO/MIRSD/SEC-FATF/P/CIR/2023/0170, dated October 13, 2023 the policy is amended as under –

- A. Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, PAWPL shall identify the beneficial owners of the client and take reasonable measures 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 10% of shares or capital or profits of the juridical person, where the juridical person is a company;
 - ii. more than 10% of the capital or profits of the juridical person, where the juridical person is a partnership;
 - 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 2.1.4 (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.

Where no natural person is identified under clauses 4 (a) or 4 (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 10% 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, may be guided by the SEBI Master circular SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19,2022 and amendments thereto, if any for the purpose of identification of beneficial ownership of the client.

2.1.5. NRI/PIOs:

In case of Citizens of India residing outside India, foreign citizens and other persons (like companies/trusts/ firms) having no office of their own in India may obtain PAN card based on the copy of their passport as ID proof and a copy of passport/ bank account in the country of residence as address proof, based on the Directorate of Income Tax (Systems) guidelines.

In case of an NRI account - Repatriable/non-repatriable, the following documents are required: For non-residents and foreign nationals, (allowed to trade subject to RBI and FEMA guidelines),copy of passport/PIO Card/OCI Card and overseas address proof is mandatory

2.2 Policy for Acceptance of Clients –

In accordance to SEBI Circular ISD/AML/CIR-1/2008 dated December 12,2008 and SEBI Circular SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2024/78 dated June 6,2024, PAWPL has developed a policy on customer acceptances and procedures which enables to identify the types of customers that are likely to pose a higher than the average risk of money laundering or terrorist financing. With such policies and procedures, they will be in a better position to apply customer due diligence on a risk sensitive basis depending on the type of customer business relationship or transaction. In a nutshell, the following safeguards are to be followed while accepting the clients.

- a. Ensure that no account is opened in a fictitious/ benami name or anonymous basis.
- b. Necessary checks and balance are 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.
- c. While opening trading/BO's account, depending upon the category of the client/BO, all necessary documents i.e. ID and Address Proof, PAN Details, PoA declarations if any, Bank and financial status and all other documents are furnished in accordance to the requirement of NSE/BSE/SEBI. (Refer clause 2.1.1 and 2.1.2 mentioned above.).
- d. To verify PAN details with the approved web site. (Refer clause 2.1.1(IV) above).
- e. To collect copy of Adhaar card or any valid ID proof of respective Individual client and for the authorized signatory in case of non-individual clients
- f. Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location i.e. registered office address, correspondence addresses and other addresses etc., nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. These details shall enable classification of clients into low, medium and high risk.
- g. In order to understand the financial status and nature of business of clients, PAWPL shall collect the necessary details at the time of opening of account. Periodical scrutiny of active accounts shall be taken on yearly basis or subject to the guidelines of the regulatory authorities.
- h. In accordance to the financial details and business profile, the client should be categorized in High, Medium and Low Risk category. Clients of special category (as given below) may, if necessary be classified in case higher risk observed. Such clients require higher degree of due diligence and regular update of KYC profile. To maintain the list updated from time-to-time in accordance to the transactions of the clients. Generally, transactions of NRI/non-individual clients can be categorized as High Risk Client.

- i. It shall be ensured that an account is not opened if PAWPL 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 co-operation of the client in providing full and complete information. In case of active accounts, PAWPL shall not continue the business with such person and file suspicious activity report.
- j. Not to register walk-in customer and to undertake their activities. Reasonable efforts to be taken if unknown client is registering. PAWPL shall obtain additional details in case required.
- k. In case the client is permitted to act on behalf of another person/entity it should be in clearly laid down manner i.e. The mode of operation of account, right, responsibilities and limits of operation, proof of authority should be maintained. Additional authority is required for transactions exceeding a specified quantity / value and other appropriate details. Adequate verification of a person's authority to act on behalf the customer should also be carried out.
- l. It should also evaluate whether there is suspicious trading in determining whether to freeze or close the account. PAWPL is cautious to ensure that it does not return securities of money that may be from suspicious trades. However, in such case PAWPL shall consult the relevant authorities in determining what action it should take when it suspects suspicious trading.

2.2 Client Due Diligence –

The Client/Customer due diligence ("CDD") measures comprise the following -

- a. To obtain sufficient information in order to identify persons who beneficially own or control securities account.
- b. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party should be identified using client identification and verification procedures. The beneficial owner is the natural person/persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.
- c. To verify the customer's identity using reliable, independent source documents, data or information.
- d. To identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the customer and/or the person on whose behalf a transaction is being conducted.
- e. To verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (d).
- f. To 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 the registered intermediary's knowledge of the customer, its business and risk profile, taking into account, where necessary, the customer's source of funds.
- g. To monitor the transactions of the clients in all categories. This should be a constant and continuous process at PAWPL by which review can be taken at any time.
- h. In case of corporate clients, Unregistered Trust, Association of Persons or partnership accounts the Identity, Addresses (Residential and Office Address) of Directors, Partners, Trustees, and Member of AOP should be collected on yearly basis and should be checked in accordance with the procedures.
- i. To ensure that the due diligence is undertaken in case of Special category clients i.e. PEP clients, clients having criminal background and clients from the area of High risk countries (Declared by regulatory organizations) are to be categorized as High risk client.
- j. To monitor the ban clients list (from FATF nations issued by UN, SEBI banned list based on orders issued by SEBI) issued by SEBI/CDSL/NSE/BSE prepared on the basis of orders/investigations issued by the regulators vide their circulars.

- k. In case of dormant client, PAWPL official should collect necessary documents in order to confirm the identity, address, financial status and purpose of reactivation. The details should be verified again with the original documents strictly.
- l. To refer to various databases available on www.world-check.com ; www.watchoutinvestors.com as a part of due diligence.
- m. To take reasonable measures to verify source of funds of clients identified as PEP.
- n. To intimate existing client/BO's at the beginning of new financial year to provide their latest KYC details so as to update the records.
- o. As per PMLA Rules 2005 vide its notification dated June 1, 2017, with regard to collection of Aadhaar number from new as well existing BO's, DP/Trading Member should collect the Aadhaar number along with the undertaking to link the number with Demat/Trading account.

2.3 Registration of client details with KRA –

- a. PAWPL has registered with CVL and Central KYC agency CKYCRA for the purpose of registering the client information (KYC details). After the KYC process is completed by the client, all the details of registration and supporting documents should be intimated to CVL for updation within 3 days of the receipt of documents from the Investor/BO.
- b. Further it has to be ensured that the details forwarded to KRA are properly updated at KRA System. In case any problem in registration, it should be intimated to Investor/BO and should get resolved immediately.
- c. In accordance to SEBI guidelines, PAWPL has registered with CKYCRA for registering the KYC details of individual clients. Procedures related with registration with CKYCRA has been initiated. KYC data of clients registering from 1.8.2016 onwards, is uploaded on CKYCRA as well as on CVL database also. All the active clients who were registered before 1.8.2016 have been intimated to provide their details so as to update their data on CKYCRA.

2.4 Risk based approach –

As a policy of risk management, PAWPL shall apply each of the customer due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is to adopt an enhanced customer due diligence process for higher risk categories of customers.

Risk based approach is essential as it the certain customers may be of a higher or lower risk category depending on circumstances such as the customer's background, type of business relationship or transaction etc. and therefore PAWPL applies each of the customer due diligence measures on a risk sensitive basis.

Registered intermediaries 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/qa_sanctions_list.shtml and <http://www.un.org/sc/committees/1988/list.shtml>).

The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The assessment shall be documented, updated regularly and made available to competent authorities and self regulating bodies, as and when required.

PAWPL shall take reasonable measures to verify source of funds of clients identified as PEP.

Depending upon financial status and history and experience, trading volume of the client, PAWPL has to categorize in Low, Medium and High Risk bearing clients. Trading activity is monitored closely in case of medium and high risk bearing clients. As per PMLA provisions, if any transaction is felt suspicious, it should be intimated immediately to the Principal Officer and further should be reported to FIU-IND within stipulated time frame. Provisions to low risk clients should not apply, if the factors give rise to the belief that the client does not in fact pose low risk.

All payments and receipts of funds and securities should be strictly to/from clients specified account payee cheques or demat account only.

To ensure that no cash transactions are taking place and that pay in and pay out of the clients are executed from the respective accounts as per the record available with PAWPL. Not to accept any cash from clients against settlement obligation or margin obligation except in case of exceptional circumstances that too the extent not in violation of IT requirement as may be in force from time to time.

As per regulation 19 and 20 of SECC, if any client deals in the shares of Stock Exchanges, PAWPL shall provide an annexure mentioning guidelines regarding Fit and Proper Person guidelines and about holding of the shares of stock exchanges.

As a routine practice, to undertake periodical scrutiny of active accounts in order to assess the overall status of the investor. As a policy, a client is required to provide his financial details at least once in a year. In case of non-individual clients, a copy of balance sheet and shareholding pattern, list of authorized signatories is obtained within 6 months after the end of financial year. As per the SEBI guidelines, running account authorization letter should be collected from the active clients once in a year.

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

- a. Registered intermediaries may rely on a third party 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 a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.
- b. Such reliance shall be subject to the conditions that are specified in Rule 9(2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. Further, it is clarified that the registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

2.5 Clients of Special Category –

As per the circular from CDSL/NSE/BSE/SEBI, clients of special category includes –

- a. Non-resident clients,
- b. High Networth 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 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.,
- k. Apart from the above mentioned list, PAWPL shall exercise independent judgment to ascertain whether the client should be classified as CSC or not.

Approval of Senior Management for establishing business relationships with Politically Exposed Persons is very essential. Where a customer has been accepted and the customer or beneficial owner is subsequently found to be, or subsequently becomes a PEP, such approval should be obtained from senior management for continuing the business relationship with the client.

2.6 – Operational guidelines -

- a. While accepting the order, it is ensured that –
 - i. Order placed by the registered client/BO only
 - ii. Order is in accordance to his financial status/balance in demat account
 - iii. To cover the risk, ensure that proper margins as per exchange guidelines is provided.
 - iv. High value transactions or spurt in volume should be monitored closely.
 - v. If the order found suspicious in nature, details of the same should be reported to the Principal Officer separately.
 - vi. Ensure the RBI guidelines are followed in case of trading by NRI/PIO clients. Only delivery based transactions are allowed for NRI/PIO clients.
 - vii. In case of Off-Market transaction, proper reason or consideration to be given by the investor on instruction slip.
 - viii. To make available order/trade information, contract note, bill or transaction statement on email and simultaneously on web site or in physical form as per the requirement.
 - ix. Before placing the orders, to ensure that the client is not debarred for trading. If previous dues are not cleared, no further exposure to be given and his trading should be stopped after 5 days.
 - x. To settle the client funds and securities mandatorily within a period of 90 days.
 - xi. DIS received is from the range of instruction slip issued to same BO. Signature of the BO should tally with the record. Incomplete/Loose DIS not to accept.
 - xii. To ensure that instruction slips are duly filled and accepted till the stipulated time and if received beyond the stipulated time, a stamp “accepted for execution on best effort basis” is affixed. All slips are received, entered and verified into back office system and authorised by respective official.

- xiii. All account holders/authorised signatories/duly constituted POA have signed the instruction slip.
- xiv. Instruction slip having value more than 3 lacs have been additionally verified by a senior official..
- xv. If instruction slip book is lost by BO, new book is issued only on written request from the BO. Before issuance, old slip numbers are blocked permanently. To maintain the record of the same.
- xvi. To take utmost care in setting up pledge/unpledge transactions, Demat/Remat and Transmission/Transposition cases.
- xvii. As per SEBI Circular SEBI/HO/MIRSD/RTAMB/CIR/P/2019/122 dated November 5, 2019 regarding Enhanced Due Diligence for Dematerialization of Physical Securities, transfer of securities in physical mode is not permitted. To augment the integrity of the system in processing of dematerialization request in respect of the physical shares, DP to follow the guidelines of Depository. DP shall assist the investor in case of complete mismatch of name on the share certificate(s) vis-à-vis name of the beneficial owner of demat account, the applicant may approach the Issuer company / RTA for establishing his title / ownership.

- b. Ensure that investor Grievance policy is in place and all grievances are handled as per the policy within specified time. As per the policy, a grievance register to be maintained and updated on monthly basis.

2.7 Record Keeping and retention of records –

PAWPL shall ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PML Act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars issued from time to time.

The main purpose is to maintain such records as are sufficient to permit reconstruction of individual transactions(including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behavior.

In case any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, PAWPL should retain the following information for the accounts of their customers in order to maintain a satisfactory audit trail.

- 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.cash, cheques, etc.;
 - the identity of the person undertaking the transaction;
 - the destination of the funds.

PAWPL shall ensure that all customer and transaction records and information is available on timely basis to the competent investigating authorities. Where appropriate, should consider retaining certain records, e.g. customer identification, account files, and business correspondence, for periods which may exceed that required under the SEBI Act, Rules and Regulations framed there-under PMLA 2002, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

2.7.1 PAWPL has put in place a system of maintaining proper record of transactions prescribed under Rule 3, notified under the Prevention of Money Laundering Act (PMLA), 2002 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 lakh;
- 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. To maintain suspicious transactions register whether or not made in cash and by way of as mentioned in the Rules.
- v. To maintain all account opening/closing/modification records, security registers, sauda book, bhav copy, delivery of contract note, margin reports, copy of transaction statements given to the clients, various ledgers for a minimum period of 5 years or as per the guidelines of the regulators. In case of any investigations/litigations, such record to maintain until the investigation/litigation is not over.
- vi. To maintain all the above records in order to provide the evidence to regulating authority as and when required.

2.7.2. To maintain and preserve the following information in respect of transactions referred to in Rule 3 of PMLA Rules –

- I. the nature of the transactions;
- II. the amount of the transaction and the currency in which it denominated;
- III. the date on which the transaction was conducted; and
- IV. the parties to the transaction

2.7.3. The records mentioned in Rule 3 of PMLA Rules have to be maintained and preserved for a period of Eight years from the date of cessation of the transactions between the client and PAWPL.

The records of the identity of clients have to be maintained and preserved for a period of Eight years from the date of cessation of the transactions between the client and PAWPL.

Thus the following document retention terms should be observed -

- a. All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period prescribed under the relevant Act (PMLA, 2002 as well SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars;
- b. Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the same period.
- c. In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.
- d. To monitor the transactions is vital for ensuring effectiveness of the Anti Money Laundering procedures. This is possible only if the intermediary has an understanding of the normal activity of the client so that they can identify the deviant transactions / activities.
- e. To keep special attention to all complex, unusually large transactions/patterns which appear to have no economic purpose. PAWPL may put internal threshold limits for each class of client accounts and monitor such transaction which exceeds these limits.
- f. To ensure a record of transaction is preserved and maintained in terms of section 12 of the PMLA 2002 and that transaction of suspicious nature or any other transaction notified under section 12 of the act is

reported to the appropriate law authority. Suspicious transactions should also be regularly reported to the higher authorities / head of the department.

- g. The compliance officer should 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.

2.7.4. Internal Audit –

- a. As per internal control policy, a periodic audit has to be undertaken by the senior executive. To take the review of CDD process periodically. The reporting has to be done to the principal officer and to the management and the report shall be approved by the Board of Directors.
- b. To conduct half yearly audit of the overall operations and procedures from the practicing chartered accountant. Auditors report shall be put before management for its comments and then the same will be kept before board of directors for approval. The said reports has to submit the Exchanges and to preserve the record. Undertake needful action in case any suggestions/observations by the auditors.

2.7.5 Operational guidelines –

- a. Hardware and software Systems configurations are as per the requirement of CDSL and Exchanges.
- b. SEBI Circular SEBI/HO/MIRSD/DOP/CIR/110/2019 dated October 15, 2019 regarding cyber security surveillance, a quarterly based reporting of any cyber attack incidence to be done to the Exchanges and Depository.
- c. To ensure that connectivity with the Systems is available without any interruptions. Backup mode of connectivity to maintain in case the problem occurs in primary connectivity.
- d. Separate Backup Server of the same configuration has been installed. All the important data is maintained as per the guidelines of CDSL/NSE/BSE.
- e. To maintain data backup properly.

3. Suspicious Transaction Monitoring & Reporting –

- a. To take appropriate steps to enable suspicious transactions to be recognised and have appropriate procedures for reporting suspicious transactions. To determine suspicious transactions, PAWPL shall refer definition of suspicious transaction contained in PML Rules as amended from time to time.
- b. A list of circumstances which may be in the nature of suspicious transactions is as under –
 - i. Clients whose identity verification seems difficult or it is felt that the clients appears not to cooperate properly;
 - ii. Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing/business activity;
 - iii. Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
 - iv. Substantial increases in business without apparent cause;
 - v. Unusually large cash deposits made by an individual or business;
 - vi. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
 - vii. Transfer of investment proceeds to apparently unrelated third parties;
 - viii. Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks /financial services, businesses reported to be in the nature of export-import of small items;
 - ix. Any such transaction which PAWPL feels of suspicious nature.

- c. In case any suspicious transaction is observed, it should be immediately notified to the principal officer and then to Money Laundering Control Officer.
- d. The notification may be done in the form of a detailed report with specific reference of the clients, transactions and the nature /reason of suspicion.
- e. However, it should be ensured that there is continuity in dealing with the client as usual until further instructions. The respective client should not be told about their suspicious transaction. In exceptional circumstances, the client may not be allowed to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken.
- f. It should also be ensured that it is likely that in some cases transactions are abandoned/aborted by the client when asked him/her to give more details or asked to provide related documents. In such case, the transaction should be reported/all such attempted transactions in STRs, even if not completed by client, irrespective of the amount of the transaction.
- g. As per SEBI Circular dated 15th October, 2019, reporting procedure of suspicious transactions to FIU-IND has been reviewed and implemented accordingly.

h. 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 33 | Page 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

- i. In terms of the PMLA rules, the STR relating to cash and suspicious transactions should be reported 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 - 110 021.
Website: <http://fiuindia.gov.in>**

- j. The Suspicious Transaction Report (STR) should be submitted within 7 days after confirming that such transactions, whether cash/non-cash, integrally connected of suspicious nature. The Principal Officer shall record his reasons for treating any transaction/series of transactions as suspicious. To ensure that there is no delay in arriving at such a conclusion
- k. The cash transaction report (CTR) (if applicable) for each month should be submitted to FIU-IND by 15th of the succeeding month.
- l. It is the responsibility of the Principal Officer to timely submit CTR/STR to FIU-IND with utmost confidentiality. The reports should be submitted by speed post or Registered AD or by fax.

- m. As per clause 11.3 of CDSL circular DP-1408, not to put any restrictions on operations in the accounts where an STR has been made. The directors, officers and employees (permanent and temporary) of PAWPL should be prohibited from disclosing ("tipping off") the fact that a STR or related information is being reported or provided to the FIU-IND. Thus, it should be ensured that there is no tipping off to the client at any level.

Suspicious nature of transactions needs to be monitored closely as per Anti Money Laundering Act, 2002. PAWPL shall keep vigilance on the transactions of PEP, High Risk and Medium Risk categorized clients and clients from FATF countries. For identifying suspicious transactions, CDSL/NSE/BSE provides STR after periodic interval i.e. every fortnight. PAWPL shall check these reports and then take the needful action. A record of such STR from depositories/exchanges shall be preserved.

The list of circulars which may be referred –

- a. SEBI Circular ISD/CIR/RR/AML/1/06 dated January 18, 2006 regarding framework for AML and CFT including overall policies and procedures;
- b. SEBI Circular ISD/CIR/RR/AML/2/06 dated March 20, 2006 regarding PMLA 2002, Obligations of Intermediaries in terms of rules notified there under.

4. Recruitment of employees/Training/Investor Education:

For the effective implementation of the policies framed, the staff needs to be well versed with PMLA provisions and respective functions. It is crucial that all those concerned fully understand the rationale behind these guidelines, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

4.1 Hiring of Employees –

- a. To ensure high standards when hiring employees, adequate screening process should be followed. To obtain and verify the details of the candidate e.g. family background, address, experience, past record etc. before appointment.
- b. To identify the key positions within the organization having regard to the risk of money laundering and terrorist financing and the size of the business.
- c. To ensure the employees taking up such key positions are suitable and competent to perform their duties.

4.2 Training of Staff –

- a. To ensure that the staff is adequately trained in AML and CFT and FATCA guidelines.
- b. To conduct ongoing training programme/educate the staff members about the rules, regulations, acts updated by SEBI/CDSL and FIU-IND from time to time.
- c. Focus of training/education should be on front office, back office staff, compliance and risk management staff and staff dealing with the customers.
- d. Front office staff/DP staff should obtain valid certificates of NISM.

4.3 Investor Training -

As per PMLA guidelines, AML/CFT measures requires intermediaries to demand critical information from new clients/Investors which may be of personal nature or which might have not called earlier. Such information include documents evidencing source of funds/IT returns/bank records etc. In case Investors/Clients raise questions about the motive collecting such information, PAWPL sensitizes investors about these requirements as the ones emanating from AML and CFT framework.

PAWPL at the time of registration of the client, provides a kit of documents to the investor so as to aware about the risk involved in securities market and responsibilities of the investors.

Specific literature/booklets or pamphlets issued by depositories/exchanges are provided to the investors as when required by investors.


During the personal interaction with the investor, the relevant information is given to the concerned client. However it is ensured that confidentiality regarding STR/CTR has to be maintained.

5. Review of Policy:

PAWPL shall take review of the aforesaid policy at regular intervals more specifically on once in a year basis. Compliance Officer and authorized officials in consultation with the Principal Officer shall take the review the policy and incorporate the additions, or changes as directed by SEBI/ FIU-IND or any such regulatory authority.

The revised policy is kept before the meeting of the board of Directors for approval. Board of Directors also reviewed the latest circular of stock Exchanges regarding FATF guidelines issued. The policy was reviewed and approved in the meeting held on 9.11.19 and then it is implemented.

For Prabodh Artha Wardhini Pvt. Ltd.


Mohan Chimanlal Gujarathi
Director

Date – 28th Feb 2025.

PRABODH ARTHA WARDHINI PVT. LTD.
Trading Member of NSE – INZ000251639
CDSL DP Id - 12037500

POLICY FOR SURVEILLANCE

Policy created by : Compliance Head	Policy created on : 01.10.2014
Policy approved by : Board of Directors	Policy approved on : 28.02.2025
Policy reviewed by : Internal Auditor	Policy reviewed on : 04.03.2025
Effective date of implementation	28.02.2025
Periodicity of Review	Yearly
Officer responsible for implementation : Compliance Officer/Designated Directors	Compliance Officer

Date	Communique No	Particulars
7th March,2013	NSE/INVG/22908	Surveillance Obligations for Trading Members
5th Feb, 2019	NSE/SURV/40148	Surveillance Obligations for Trading Members-update
1st July, 2021	NSE/SURV/48818	Surveillance Obligations for Trading Members-update
15th July, 2021	CDSL/OPS/DP/SYSTEM/2021/309	Surveillance Obligations of Depository Participant
20th June,2024	CDSL/OPS/DP/SYSTEM/2024/341	SOP for processing of surveillance alerts

OBJECTIVE :

The objective of this policy is to have in place an effective market surveillance mechanism to ensure investor protection and to safeguard the integrity of the markets. The goal of surveillance is to spot adverse situations in the markets and to pursue appropriate preventive actions to avoid disruption to the markets. The fairness of the markets is closely linked to investor protection and, in particular, to the prevention of improper trading practices. This monitoring is required to analyze the trading pattern of the clients in order to observe whether any transaction (buying / selling) done intentionally, which will have an abnormal effect on the price and / or volumes of any share, which is against the fundamental objective of the Securities Market.

Policy framework is in accordance to the business model of Prabodh Artha Wardhini Pvt. Ltd. (hereinafter refer to as PAWPL) i.e. Trading activity (Member of NSE) and DP related activity (DP of CDSL), Number of registered clients, active clients and dormant account holders, client base i.e. Non-Institutional clients and Individual clients to whom facility to place the order via telephone or personal visit to the office where the trading terminals are located and the volume of transactions from the clients. For the effective monitoring of the volume of transactions, action on the alerts generated, review and disposal of alerts the surveillance policy is prepared.

EXCHANGE ALERT*

The surveillance policy shall cover the maintenance and disposition of following alerts received from exchanges/generated at our end. (C-22908)

Sr No	Transactional Alerts	Segment
1	Significant increase in client activity	Cash
2	Sudden trading activity in dormant account	Cash
3	Clients/Group of Client(s), deal in common scrips	Cash
4	Client(s)/Group of Client(s) is concentrated in a few illiquid scrips	Cash
5	Client(s)/Group of Client(s) dealing in scrip in minimum lot size	Cash
6	Client / Group of Client(s) Concentration in a scrip	Cash
7	Circular Trading	Cash
8	Pump and Dump (Pump-and-dump" involve the touting of a company's stock (typically small, so-called "microcap" companies) through false and misleading statements to the marketplace.)	Cash
9	Reversal of Trades	Cash & Derivatives
10	Front Running (Execution of orders in a security for its own account by the member while taking advantage of advance knowledge of orders from its customers)	Cash
11	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
12	Order book spoofing i.e. large orders away from market	Cash

ALERTS TO BE MONITORED RELATED WITH TRADING OPERATIONS :-

Unusual trading activity: Client(s)/Group of Client(s) who have been dealing in small quantities/value suddenly significantly increase their activity over a period of time say fortnight/month/quarter and this increases by certain threshold limit of more than 50% as compared to the earlier period of same duration, we have review and conduct a analysis on parameters such as;

- a. Whether such volume is justified give the background of the client and his past trading activity.
 - b. Amount of funds that was brought in by the Client(s)/Group of Client(s) for the purchases made during the period.
 - c. Whether such inflow of funds is in line with the financial status of the client.
 - d. Whether the transactions of such Client(s)/Group of Client(s) are contributing to concentration or impacting the price and or volumes.
2. If an inactive client resumes trading resumes trading in illiquid stocks or low market capitalized scrips or enters into huge transactions not to commensurate with the financial strength of the client, it should be reviewed and examined the reasons for trading in such scrips/contracts
 3. Clients/Group of Client(s), deal in common scrips - We need to review and examine various points like reasons for trading in such scrips/contracts, whether there is any concerted attempt by to impact the prices and whether there is any concerted attempt to indulge in movement of profit/loss from one client to another.
 4. Activity of Client(s) or a group of Client(s) is concentrated in a few illiquid scrips/contracts or there is a sudden activity by Client(s)/Group of Client(s) in illiquid securities/contracts manifested in terms of volume as compared to the volume of the exchange or that of the Trading Member it is required to be reviewed and examined thoroughly and if found suspicious, it should be reported to the Director of the company immediately for further action.
 5. Client(s)/Group of Client(s) dealing in scrip in minimum lot size - We need to review and examine reasons for such trading behavior, trading pattern and repeated instances
 6. In accordance to the list of illiquid scrips/contracts provided by exchanges it is required to review and examine the probable matching of transactions. It needs to be examined whether there trading is sudden trading or there is any concerted attempt to impact the prices of such scrips/contracts and to indulge in movement of profit/loss from one client to another.
 7. Circular trading- Client/group of clients trading in particular scrip over a period of time or transactions of clients contributing significant volume in a particular scrip – especially illiquid scrip/contracts or the possible matching of trades with a specific group of clients (like same trade number on both buy and sell side of a member and/or immediate execution of order in illiquid scrip etc.) or possible reversal of trades with the same group of clients (like same trade number on both buy and sell side of a member and/or immediate execution of order in illiquid scrip)

8. Trades being executed at prices significantly away from the market and later on squaring off to earn significant profits.
9. Reversal of Trades- Same Clients on both sides of the transaction. (i.e. same trade number on both the buy and sell side with us) or Reversal of transactions by same Client(s) or within same Group of Client(s) at significantly different trade prices within a short period of time says 3-4 days or One client makes significant profit and other suffers a loss or apparent loss booking transactions in illiquid contract/securities including options.
10. Front Running- Trading, by Client employees, ahead of large buy/sell transactions and subsequent square off has to be identified and such transactions have to be reviewed for determining front running or there is a consistent pattern of Client employees trading ahead of large buy/sell transactions.
11. Concentrated positions in the Open Interest/high turnover concentration: Client having significant position in the total open interest in particular scrip or Client trading in the scrip which is in ban period or Client(s) who have Open Interest positions/concentration greater than equal to the thresholds prescribed.
12. Order book spoofing i.e. large orders away from market- Consistent placement of large orders significantly away from the market with low trade to order trade ratio or canceling orders within seconds after placing them thereby creating a false impression of depth in a particular scrip/contract or repeated pattern of placement of orders which are away from the market price and simultaneous placement of sell orders to benefit from price rise or vice-versa.

ALERTS TO BE MONITORED RELATED WITH DP OPERATIONS :-

- 1 Alert for multiple demat accounts opened with same demographic details: Alert for accounts opened with same PAN /mobile number / email id/ bank account no. / address considering the existing demat accounts held with the DP.
- 2 Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.
- 3 Frequent changes in details of demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.
- 4 Frequent Off-Market transfers by a client in a specified period
- 5 Off-market transfers not commensurate with the income/Networth of the client.
- 6 Pledge transactions not commensurate with the income/Networth of the client.
- 7 Off-market transfers (High Value) immediately after modification of details in demat account
- 8 Review of reasons of off-market transfers provided by client for off-market transfers vis-à-vis profile of the client e.g. transfers with reason code Gifts with consideration, frequent transfers with reason code Gifts/Donation to unrelated parties, frequent transfers with reason code off-market sales
- 9 Alert for newly opened accounts wherein sudden Increase in transactions activities in short span of time and suddenly holding in demat account becomes zero or account becomes dormant after some time.

10 Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by their clients.

11 Any such alert which feels of suspicious nature to the DP.

On receipt of the above information, analyse the alerts generated with own judgement and in case of any adverse findings/comments or abnormal transactions, the same shall be communicated to the Exchange and CDSL within 30 days from the disposal of alert generation.

IN-HOUSE ALERTS

1 Report on Delivery above Rs.25,00,000/- & turnover above Rs.1,00,00,000/- Placement of large orders with the delivery turnover contributing in value terms above Rs. 25,00,000/- and trading turnover in terms of value above Rs.1,00,00,000/- for all segments to be generated. Thereafter RMS team does the trade/ledger confirmation with the end client and accordingly updates the compliance team.

2 CASH Excess Volume (more than 5% of market volume) (equity segment) Trades in equity segment contributing to more than 5% of the exchange volume are generated.

3. Illiquid scrip (equity segment) Trades in equity segment for the illiquid scrips (which have been identified as illiquid by exchange) will be analyzed and evaluated.

4 F&O Profit/Loss & Futures Rate Fluctuation (equity derivatives) - Trades in equity derivatives for the above referred parameter which are generated in case of clients executing trades at price above 20% of the previous closing price and or incurring huge profits or losses are generated.

For the records generated under this alert are evaluated in case of any suspicious pattern observed.

5 F&O Excess Volume (more than 5% of market volume)- Trades in derivatives are generated in case more than 5% of market volumes. For the records generated under this alert are evaluated visa-vis the strike price, maturity date of the contract, type of derivative contract, underlying etc are analyzed and evaluated.

In case the name of any new client appears in this report and / or comes again in the report after a period of 15 days, then compliance officer informs about the said trade details to the management of PAWPL for taking further needful action.

6 Matching of Trades –The trades which get matched at member or client level are generated under this alert. The records so generated, comparison is done to ascertain whether they have been carried out from the same trading terminal or same location or for group of same family codes.

7. Delivery Tracker: This report provide the trades of the clients who take delivery above Rs.1,00,00,000/- in value terms or all delivery above 1,00,000/- in quantity terms (this limit is to be revised from time to time on case to case basis.)

9 Module on Online Ban Scrip Position Tracker: This report provides the records in case any client takes position in "Ban" security, then we can come to know via this pop up that position is open and may attract penalty in case position is carried further.

10 Module on Unregistered/Inactive Client Trade: This report shows that in case any client is inactive as per our back-office software or not registered, in spite of which trade is done the details can be ascertained via trading terminal and can be stopped from further trading and to complete the reactivation/registration process as the case may be.

11 Module on Spurt in volume: This reports provide the records of the trades in which there is any sudden increase in volume in comparison with 2 weeks average exchange volume.

12 Trading not to allow the clients who are in ban clients list published by SEBI/Exchanges.

13 Trading is allowed to commence only after execution of the client registration form and all the mandatory Unique Client Code (UCC) parameters such as Name, Address, PAN No. etc., have been uploaded by us to the Exchange portal. Demat account numbers are provided to the demat account holders only after obtaining the Client registration forms and activating the same into the DP system.

14 Clients who have debit balance in their ledgers continuously for a certain period of time or who default in making payment/delivery. This is monitored by our RMS team who dedicated does follow up with the clients and also restricts from further trading.

15 Bulk deals have been disclosed/reported; illiquid scrips/contract or derivatives scrips which are in ban period. Trading activity in such scrips may be analyzed for Client.

STEPS TO REVIEW AND DISPOSE THE ALERT:

In accordance with the reference circular issued by National Stock Exchange and Central depository services limited to maintain the records of the transactional alerts received from exchanges/depository or generated at our end, the following steps would be taken to review and dispose the alerts –

1. Review the type of alert downloaded by exchange/depository or generated at our end
2. Financial details of the client
3. Past trading pattern of the clients/client group
4. Bank/demat transaction details
5. Other connected clients having common email/mobile number/address or any other linkages etc.
6. Other publicly available information

Apart from above, TM/DP will generate appropriate surveillance alerts at our end, to enable to monitor the transactions of their clients at their end as per the laid down surveillance policy. PAWPL is in process to develop the alert generation system on the following themes as well.

In order to have indepth analysis of the above transactional alerts, the following due diligence shall be taken:

Client(s) Information:

Due Diligence of client(s) would be done on a continuous basis. Client information should be updated at least once a year through periodic review. Financial information also needs to be updated for all active clients and the following relevant documents pertaining to financial details to be obtained from clients.

1. Copy of ITR Acknowledgement
2. Copy of Annual Accounts
3. Copy of Form 16 in case of salary income
4. Net worth certificate
5. Salary Slip
6. Bank account statement for last 6 months
7. Copy of demat account Holding statement.
8. Any other relevant documents substantiating ownership of assets.
9. Self declaration along with relevant supporting.

Addition/ Modification of any parameter (correspondence address, contact details, email id, bank and beneficiary accounts) relating to client should also be updated immediately in the UCI database of exchange and the same shall be updated in back office also.

Based on the above information/documents, identification of groups / association amongst clients to identify multiple accounts / common account / group of clients would be established.

Groups to be formed on the basis of details of family/ group/ associate provided by clients during their registration or at the time of periodic review and on the basis of any authorization submitted by the client for adjustment of their balances.

Analysis:

In order to analyze the trading activity of the Client(s) / Group of Client(s) or scrips identified based on the alerts received from the Exchange, the following information shall be sought from clients:

a. Seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions. Letter/ email to be sent to client asking the client to confirm that client has adhered to trading regulations and details may be sought pertaining to funds and securities and other trading pattern.

b. Seek documentary evidence such as Bank Statement / Demat Transaction Statement or any other documents to support the statement provided by client.

1. In case of funds, Bank statements of the Client(s) / Group of Client(s) from where funds pay-in have been met, to be sought. Sources of funds in the bank statements to be verified. In case of securities, Demat account statements of the Client(s) / Group of Client(s) from where securities pay-in has been met, to be sought.

2. The period for such statements may be at least +/- 15 days from the date of transactions to verify whether the funds / securities for the settlement of such trades actually belongs to the client for whom the trades were transacted.

C. After analyzing the documentary evidences, including the Bank / Demat statement, the observations shall be recorded for such identified transactions or Client(s) / Group of Client(s). In case of adverse observations, the same will be reported to the Exchange within 45 days of the alert generation. Extension of the time period from the Exchange will be sought, if required. In case the client does not cooperate or does not revert within reasonable period, Exchange to be informed based on the information available with the member.

Monitoring* and Reporting:

The surveillance process shall be conducted under overall supervision of its Compliance Officer and based on facts and circumstances; he / she is required to take adequate precaution.

Designated directors /Compliance Officer would be responsible for all surveillance activities carried out by the Trading Member and for the record maintenance and reporting of such activities.

A quarterly MIS shall be put up to the Board on the number of alerts generated, disposed and pending at the beginning of the quarter. Reasons for pendency shall be discussed and appropriate action would be taken. In case of any exception noticed during the disposition of alerts, the same shall be put up to the Board.

Internal auditor shall review this policy, its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor shall record their observations with respect to the same in the report.

Analysis:

In order to analyze the trading activity of the Client scrips identified based on above alerts, we can do the following: -

1. Shortlist Client for further analysis.
2. Seek explanation from such identified Client
3. Seek documentary evidence such as bank statement/demat transaction statements of last 6 months to 12 months period, to satisfy itself.
4. On the basis of information received from the client and after proper evaluation and analysis, we decide our steps for suspending code and or the scrip from further trading.

Reporting -

All action/analysis with respect the alerts generated should be completed within a reasonable time frame. The surveillance policy of the Trading Member to be approved by the Board of Directors

A daily reporting of the alerts to the designated director and principal officer / a quarterly MIS to the Board of Directors if there are alerts as to the number of alerts received, disposed off during the quarter and pending at the end of the quarter and the reasons for pendency should be discussed and appropriate action taken for disposing of the alerts.

The surveillance process to be conducted under overall supervision of its Compliance Officer/Principal Officer. Principal Officer under the PMLA directives/ Compliance Officer of the Company and their team would be to be responsible for all surveillance activities carried out for the record maintenance and reporting of such activities under the supervision of the Designated Director.

Internal auditor shall review the surveillance policy, its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor shall record the observations with respect to the same in their report.

This policy would be made available to the internal auditors and regulators during the course of audits or as and when demanded.

Certain few things we can implement provided the concerned departments monitor and keep track

1. Frequent instances of payment by Client(s)/Group of Client(s) in the form of cash equivalents like Demand Draft, Pay order etc. to be monitored for

2. When home or business telephone number has been disconnected or there is no such number when an attempt is made to contact client or documents sent at its email/home/business address returned undelivered.

3. Having multiple accounts with the Trading Member and using different trading accounts alternatively.

4. Client frequently changing bank/ demat account.

POLICY REVIEW AND APPROVAL :

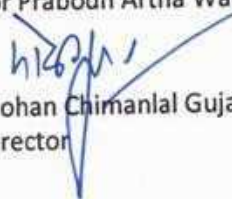
This policy may be reviewed as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change the policy due to business needs.

This policy reviewed by the internal auditor from time to time shall be discussed with the Director of the company and the same shall be approved by the Board of PAWPL.

Policy communication:

Once the policy is approved by the Board of Directors of PAWPL, a copy of the approved policy shall be made available to Compliance officer, Risk Management Team and to DP Officer.

For Prabodh Artha Wardhini Pvt. Ltd.


Mohan Chimanlal Gujarathi
Director

Standard Operating Procedure (SOP) for Processing Surveillance Alerts for Depository Participant

1. **Purpose:** - To define the standard procedure for managing and processing surveillance alerts, generated both at the Depository Participant (DP) end and by Depository, ensuring timely, effective, and secure handling of alerts.
2. **Scope:** - This SOP applies to all surveillance alerts generated through Depository or internally by the DP. It establishes guidelines for alert generation parameters, response timelines, escalation procedures, and regular review requirements.

3. Role and Responsibilities: -

Compliance Officer: - Oversees SOP adherence, reviews alert parameters periodically, and ensures process improvement.

Alert Processor (Maker): - Identifies, reviews, and initiates the first level of alert handling.

Checker: - Conducts secondary review to validate alert handling and ensures actions meet compliance standards.

4. Alert Generation Parameters: -

- 1 Alert for multiple demat accounts opened with same demographic details: Alert for accounts opened with same PAN /mobile number / email id/ bank account no. / address considering the existing demat accounts held with the DP.
- 2 Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.
- 3 Frequent changes in details of demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.
- 4 Frequent Off-Market transfers by a client in a specified period
- 5 Off-market transfers not commensurate with the income/Networth of the client.
- 6 Pledge transactions not commensurate with the income/Networth of the client.
- 7 Off-market transfers (High Value) immediately after modification of details in demat account
- 8 Review of reasons of off-market transfers provided by client for off-market transfers vis-à-vis profile of the client e.g. transfers with reason code Gifts with consideration, frequent transfers with reason code Gifts/Donation to unrelated parties, frequent transfers with reason code off-market sales
- 9 Alert for newly opened accounts wherein sudden Increase in transactions activities in short span of time and suddenly holding in demat account becomes zero or account becomes dormant after some time.

- 10 Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by their clients.
- 11 Any such alert which feels of suspicious nature to the DP.

5. Procedures for Processing Alerts

DP follows a Maker-Checker approach, with actions by the Maker validated by the Checker to ensure oversight and compliance.

- a. Alert Identification: Alerts are automatically generated by Depository or DP's internal systems based on predefined parameters.
- b. Initial Review (Maker): The Maker verifies alert details and assesses severity (low, medium, high).
- c. Investigation and Response: Conduct an initial investigation, potentially contacting the relevant account holders for verification.
- d. Final Review (Checker): Checker validates the actions taken by the Maker and confirms closure or escalation of the alert as necessary.

6. Escalation Procedure

If suspicious activity is confirmed, the alert is escalated to the Compliance Officer. Compliance may conduct further investigation or request additional information.

7. Resolution & Closure

Alerts are categorized as: False Positives: Closed with documentation.

Genuine Alerts: Escalated for further action.

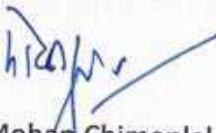
Compliance officer will do documents findings and, if required, reports the case to regulatory authorities.

Closure of alerts is logged with appropriate remarks and supporting evidence.

8. Periodic Review

Compliance Officer reviews the SOP and alert parameters yearly to ensure compliance and operational effectiveness.

For Prabodh Artha Wardhini Pvt. Ltd.


Mohan Chimanlal Gujarathi
Director