



PROGRESSIVE SHARE BROKERS PVT. LTD.
MEMBER : NSE, BSE, MCX-SX, CDSL
CIN: U67120MH1994PTC176096

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POLICIES & PROCEDURES FOR PREVENTION OF MONEY LAUNDERING (As per requirements of the PMLA Act 2002)

PROGRESSIVE PMLA Policy

Definitions:

PMLA is Prevention of Anti Money Laundering Act. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets. The need for the PMLA in broking business was felt to curb the activities where Black Money is routed in financial market through broking as a financial route. The money in such course may come various sources which are unethical and unorganized and may cause an harm to the Economy as a whole. With a hurricane effort from all the Financial institutions and regulatory the Act has been enforced.

Prevention of Money Laundering Act, 2002

- Prevention of Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July 1, 2005
- The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including brokers and sub-brokers) and depositories to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU) - INDIA

Financial Intelligence Unit (FIU) – INDIA

- The Government of India set up Financial Intelligence Unit-India (FIU-IND) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

Background:

Pursuant to the provisions of the Prevention of Money Laundering Act, 2002(PMLA) which was published in the gazette of India on 1st July 2005 every banking financial and non banking financial companies and financial intermediaries, which includes stockbrokers and depository participants have to formulate internal policies and procedures to guard against money laundering activities, particularly pertaining to:

- All cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.

PROGRESSIVE SHARE BROKERS PVT LTD

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- All suspicious transactions (including all transactions i.e those integrally connected and those remotely connected) whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as demat account, security account maintained by the registered intermediary.

Progressive PMLA Policy: It is the policy of the Company to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets.

Progressive PMLA is closely monitored by the Principal Officer along with Progressive PMLA team

Progressive PMLA include following:-

- Appointment of Principal Officer
- Principal Officer Designation and Duties
- Appointment Designated Director
- Policy for acceptance of client
- Procedure for identifying the clients
- List of Designated Individuals/Entities
- Maintenance of records
- Procedure for freezing of funds, financial assets or economic resources or related services
- Progressive Risk Assessment procedure
- Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)
- Reliance on third party for carrying out Client Due Diligence (CDD)
- Training on PMLA to Progressive staff
- Policy for Recruitment/hiring of personnel Investors Education
- Review Policy
- Board of Directors Approval

Principal Officer Designation and Duties

The Company has designated Mr. Ashok Verma as the Principal Officer for its Anti-Money Laundering Program, with full responsibility for the Companies AML program is qualified by experience, knowledge and training. The duties of the Principal Officer will include monitoring the Companies compliance with AML obligations and overseeing communication and training for employees & Sub-Brokers/Authorized Person. The Principal Officer will also ensure that proper AML records are kept. When warranted, the Principal Officer will ensure filing of necessary reports with the Financial Intelligence Unit (FIU – IND)

The Company has provided the FIU with contact information for the Principal Officer, including name, title, mailing address, e-mail address, telephone number and facsimile number. The firm will promptly notify

FIU of any change to this information.

Appointment of designated Director

As directed in SEBI circular no. CIR/MIRSD/1/2014 dated March 12, 2014 Company has appointed Mr. Anil N Gaggar as Designated Director.

Policy for acceptance of client

The policy is to enable customer due diligence on a risk sensitive basis depending on the type of customer business relationships or transactions. Accordingly the following safeguards are to be followed while accepting the clients.

- No account is to be opened in anonymous or fictitious / benami name(s) /entity(ies).
- Accept clients only after verifying their identity, as laid down in Client Identification
- Procedures. Classify clients into various risk categories and, based on risk perception, apply the acceptance criteria for each category of clients. Also, a profile of each client will be prepared based on risk categorization
- Documentation requirements and other information is collected, as per PMLA and SEBI guidelines / instructions.
- Not to open an account, where identity of the account holder cannot be verified and/or documents / information required could not be obtained / confirmed due to non- cooperation of the client.
- Identity of a new client to be checked so as to ensure that it does not match with any person with known criminal background or banned entities such as individual terrorists or terrorist organizations etc. The decision to open an account for Politically Exposed Person (PEP) should be taken at a senior level.

Procedure for identifying the clients

At the time of opening an account Progressive KYC Team ensures that No account is opened on anonymous basis. It is opened by name, which is disclosed in Income Tax PAN Card, Aadhar Card or Voter Identity card or Ration card or driving licenses. The Team also ensures that Beneficial Accounts are opened in the name respective client Name only. The Detailed client's specific documentation requirement is enclosed here below:

Constitution of Client	Proof of Identity	Proof of Address	Others
Individual	PAN Card and Aadhaar Card*	Copy of Bank Statement, etc.	N.A.
Company	PAN Card and Aadhaar Card** Certificate of Incorporation Memorandum and Articles of Association Resolution of Board of Directors	As above	Proof of Identity of the Directors/Others authorized to trade on behalf of the firm
Partnership Firm	PAN Card and Aadhaar Card*** Registration certificate	As above	Proof of Identity of the Partners/Others authorized to trade on behalf of the firm
Trust	PAN Card and Aadhaar Card \$ Registration certificate Trust deed	As above	Proof of Identity of the Trustees/ others authorized to trade on behalf of the trust
AOP/ BOI	PAN Card and Aadhaar Card \$\$ Resolution of the managing body Documents to collectively establish the legal existence of such an AOP/ BOI	As above	Proof of Identity of the Persons authorized to trade on behalf of the AOP/ BOI

*Provided that where an Aadhaar number has not been assigned to a client, the client shall furnish proof of application of enrolment for Aadhaar. Provided further that where the client is an individual, who is not

eligible to be enrolled for an Aadhaar number he shall furnish PAN. However, it is pertinent to state that furnishing PAN is mandatory for all clients.

** Aadhaar Card issued to managers, officers or employees holding an attorney to transact on the Company's behalf or where an Aadhaar number has not been assigned, proof of application towards enrolment for Aadhaar is to be furnished.

*** Aadhaar Card issued to the person holding an attorney to transact on its behalf or where an Aadhaar number has not been assigned, proof of application towards enrolment for Aadhaar.

\$ Aadhaar Card issued to the person holding an attorney to transact on its behalf or where an Aadhaar number has not been assigned, proof of application towards enrolment for Aadhaar.

\$\$ Aadhaar Card issued to the person holding an attorney to transact on its behalf or where an Aadhaar number has not been assigned, proof of application towards enrolment for Aadhaar.

Provided further that, if any of the abovementioned individuals who are eligible to obtain Aadhaar number do not submit the same at the time of commencement of account based relationship, the client shall submit the same within 6 months from the date of commencement of account based relationship.

The system as entailed will ensure that whoever is registered as client is a genuine person within the eyes of Law and not a Benami individual.

If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our firm will not open the new account.

Client Name should not appear in following lists

- SEBI Debarred Client List
- United Nations Website
http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml
<http://www.un.org/sc/committees/1988/list.shtml>
- www.WatchoutInvestors.com

All PAN Cards received will verify form the Income Tax/ NSDL website before the account is opened.

Identification of Beneficial Ownership:

1. For clients other than individuals or trusts:

Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, we 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 25% of shares or capital or profits of the juridical person, where the juridical person

- is a company;
- ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
 - iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

b. In cases where there exists doubt under clause a above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

2. c. Where no natural person is identified under clauses a or b above, the identity of the relevant natural person who holds the position of senior managing official. **For client which is a trust:**

Where the client is a trust, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

3. 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.

4. Applicability for foreign investors:

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

Clients of Special Category

We must exercise additional due diligence in case of the **Clients of Special Category** which include but not limited to:-

- Nonresident clients
- Trust, Charities, NGOs and organizations receiving donations
- Companies having close family shareholdings or beneficial ownership

- Politically exposed persons (PEP) of foreign origin
- 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)
- Companies offering foreign exchange offerings
- 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 centre's, tax havens, countries where fraud is highly prevalent.
- Non face to face clients
- Clients with dubious reputation as per public information available etc.
- Such Other persons who as per our independent judgment may be classified as CSC.

In case of PEP

In case we have reasons to believe that any of our existing / potential customer is a politically exposed person (PEP) we exercise due diligence, to ascertain whether the customer is a politically exposed person (PEP), which would include seeking additional information from clients and accessing publicly available information etc.

The dealing staff will obtain senior management's prior approval for establishing business relationships with Politically Exposed Persons. In case an existing customer is subsequently found to be, or subsequently becomes a PEP, dealing staff must obtain senior management's approval to continue the business relationship.

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

The client will be investigated and identified by using reliable sources including documents / information and would obtain adequate information to satisfactorily establish the identity of the client and the purpose of the intended nature of the relationship.

The broking company would take adequate steps to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the intermediary in compliance with the Guidelines. Each original document would be verified in original prior to acceptance of a copy.

If the senior management of the broking house finds that the existing / potential client is a PEP then the broking house if not satisfied with the documents / source of funds of the PEP client, then further instructions for the discontinuance of transactions on behalf of the PEP would be given and proper vigilance to see that no transactions on behalf of this PEP is carried out through the broking organization.

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/aq_sanctions_list.shtml

<http://www.un.org/sc/committees/1988/list.shtml>

We have directed our KYC department to ensure that accounts are not opened in the name of anyone whose name appears in said list. KYC department has to 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.

Maintenance of records

The Principal Officer is responsible for the retention of records which include following:-

- All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency
- All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month
- All suspicious transactions whether or not made in cash. Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith :-
 - gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
 - appears to be made in circumstances of unusual or unjustified complexity; or
 - appears to have no economic rationale or bonafied purpose; or
 - gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism

The records shall contain the following information

- 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

a. STR Maintenance and Confidentiality

We will hold STRs and any supporting documentation confidential. We will not inform anyone outside of a law enforcement or regulatory agency or securities regulator about a STR. We will refuse any requests for STR information and immediately tell FIU IND of any such request we receive. We will segregate STR filings and copies of supporting documentation from other firm books and records to avoid disclosing STR filings. Our Principal Officer will handle all requests or other requests for STRs.

b. Responsibility for AML Records and SAR Filing

Principal Officer will be responsible to ensure that AML records are maintained properly and that STRs are filed as required.

c. Information to be maintained

Company will maintain and preserve the following information in respect of transactions referred to in Rule 3 of PMLA Rules for the period of 5 years.

- i. Client Registration Forms
- ii. Contract Note
- iii. the nature of the transactions;
- iv. the amount of the transaction and the currency in which it denominated;
- v. the date on which the transaction was conducted; and
- vi. the parties to the transaction.

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

As per SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009, any such case informed to us from the Central Government who is listed in Schedule to the order and is engaged in terrorism then such individual/entities account will be immediately prohibited by Freezing of funds i.e. 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

Progressive Risk Assessment procedure

The Progressive Back Office Software has a facility to categorize clients in 3 categories i.e. Low Medium & High. The risk assessment of the client is done at the time KYC procedure is done and it is periodically assessed by senior Compliance Officer and Principal Officer of the company. Progressive being a small Broking House has its cliental basically in the nature of Relatives or acquaintances of the Franchisee owner/ Directors & Employees. We have generally Low risk clients and in exceptional case of the clients belonging to High risk Assessment Procedure is carried out by interactions directly held up with the senior person and in case of Franchisee clients they are interviewed at the Franchisees end. The clients are interviewed to know the nature of the client and even the type of trading to be done by him. Further movement of funds and securities are tracked and checked to identify the person who beneficially own or control securities account. Clients are classified as high or medium risk broadly on the basis of the following criteria's:-

Low Risk

- Client Introduced through close references
- Respectable social and Sound Financial Back Ground
- Individuals Account
- Own A/c

Medium Risk

- Speculative client
- De-mat Account with other DP

- Dormant Account
- Client Banned by SEBI
- Corporate Account
- Trust, NGOs and organizations receiving donations

High Risk

- Client's credibility is under concern (dubious reputation)
- Suspicious background client
- Politically exposed persons (PEP)
- Clients of high risk countries
- NRI / Foreign Nation Account

Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)

The company will monitor through the automated means of Back Office Software for unusual size, volume, pattern or type of transactions. For non automated monitoring, the following kinds of activities are to be mentioned as Red Flags and reported to the Principal Officer.

- The customer exhibits unusual concern about the firm's compliance with government reporting requirements and the firm's AML policies (particularly concerning his or her identity, type of business and assets), or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspicious identification or business documents.
- The information provided by the customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.
- Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.
- The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
- The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.
- The customer attempts to make frequent or large deposits of currency, insists on dealing only in cash, or asks for exemptions from the firm's policies relating to the deposit of cash.
- The customer engages in transactions involving cash or cash equivalents or other monetary instruments that appear to be structured to avoid the Rs.10,00,000 government reporting requirements, especially if the cash or monetary instruments are in an amount just below reporting or recording thresholds.
- For no apparent reason, the customer insists for multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers.
- The customer requests that a transaction be processed to avoid the firm's normal documentation

requirements.

- The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities, such as Z group and T group stocks, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)
- The customer's account shows an unexplained high level of account activity
- The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.
- The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer.

When a member of the company detects any red flag he or she will escalate the same to the Principal Officer for further investigation. Broad categories of reason for suspicion and examples of suspicious transactions for an intermediary are indicated as under:

Identity of Client

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities

Suspicious Background

- Suspicious background or links with known criminals
- Multiple Accounts
- Large numbers of accounts having a common account holder.
- Unexplained transfers between multiple accounts with no rationale

Activity in Accounts

- Unusual activity compared to past transactions
- Use of different accounts by client alternatively
- Sudden activity in dormant accounts
- Activity inconsistent with what would be expected from declared business
- Account used for circular trading

Nature of Transactions

- Unusual or unjustified complexity
- No economic rationale or bonafide purpose
- Source of funds are doubtful
- Appears to be case of insider trading
- Investment proceeds transferred to a third party
- Transactions reflect likely market manipulations
- Suspicious off market transactions

Value of Transactions

- Large sums being transferred from overseas for making payments
- Inconsistent with the clients apparent financial standing
- Inconsistency in the payment pattern by client.

Suspicious Transactions Reporting

We will make a note of Suspicion Transaction that have not been explained to the satisfaction of the Principal Officer and thereafter report the same to the FIU IND and the required deadlines. This will typically be in cases where we know, suspect, or have reason to suspect:

- The transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade any the transaction reporting requirement
- The transaction is designed, whether through structuring or otherwise, to evade the any requirements of PMLA Act and Rules framed thereof
- The transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and we know, after examining the background, possible purpose of the transaction and other facts, of no reasonable explanation for the transaction, or
- The transaction involves the use of the firm to facilitate criminal activity.

We will not base our decision on whether to file a STR solely on whether the transaction falls above a set threshold. We will file a STR and notify law enforcement of all transactions that raise an identifiable suspicion of criminal, terrorist, or corrupt activities.

All STRs will be reported quarterly to the Board of Directors, with a clear reminder of the need to maintain the confidentiality of the STRs We will not notify any person involved in the transaction that the transaction has been reported, except as permitted by the PMLA Act and Rules thereof.

As part of our AML program, our company will create and maintain STRs and CTRs and relevant documentation on customer identity and verification. We will maintain STRs and their accompanying documentation for at least five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.

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

The company 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.

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.

Training on PMLA to Progressive Staff

We have an ongoing employee training program conducted by our Principal Officer and Senior Management. Participation of the Key Employees in the Seminars / workshops / meetings conducted by various Regulatory bodies are also attended from time to time, so that the members of the staff may regularly update their knowledge and are adequately trained in AML and CFT procedures.

All the Circulars issued by various Regulatory bodies including that of PMLA, are circulated to all the staff Members and the same are also being discussed in length in the Training Program. Training program conducted by us has special emphasis on frontline staff, back office staff, compliance staff and risk management staff. The front desk staffs dealing with new clients are trained to properly analyze the KYC documents and understand the investing / trading pattern of the client so as to be careful while inputting the trades on behalf of the new clients. It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

Our training will include, at a minimum: how to identify red flags and signs of money laundering that arise during the course of the employees' duties; what to do once the risk is identified; what employees' roles are in the firm's compliance efforts and how to perform them; the firm's record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the PMLA Act.

Policy for Recruitment/hiring of personnel

The HR Department is instructed to cross check all the references and should take adequate safeguards to establish the authenticity and genuineness of the persons before recruiting. The department should obtain the following documents:

1. Photographs
2. Proof of address
3. Identity proof
4. Proof of Educational Qualification
5. References

Investors Education

Progressive will upload its PMLA policy with changes in the policy from time to time on its website for creating awareness amongst the investors.

Review Policy:

This policy will be reviewed annually and as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change on account of business needs and Risk Management policy.

The policy reviewed by Principal Officer & Compliance Officer and placed the changes in policy before the Board at the meeting first held after such changes are introduced and the same is communicated to all departmental heads and associate persons via email and a copy of the reviewed policy is also made available on our website.

Board of Directors Approval Board has approved this AML program as reasonably designed to achieve and monitor our company's ongoing compliance with the requirements of the PMLA and the implementing regulations under it.

For **Progressive Share Brokers Pvt. Ltd.**

Director/ Authorized Signatory

Place: Mumbai