

G.N.G. INVESTMENT LIMITED

PMLA POLICY

(Based on SEBI Master Circular No. SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 Dated 03rd Feb, 2023- updated upto 11th Mar, 2024)

I. BACKGROUND

The PMLA came into effect from 1st July 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on 1st July, 2005 by the Department of Revenue, Ministry of Finance, Government of India. The PMLA inter alia provides that violating the prohibitions on manipulative and deceptive devices, insider trading and substantial acquisition of securities or control as provided in Section 12 A read with Section 24 of the Securities and Exchange Board of India Act (SEBI Act) will now be treated as a scheduled offence under schedule B of the PMLA.

As per the provisions of the PMLA, every reporting entity (which includes intermediaries registered under Section 12 of the SEBI Act i.e. a stock-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, asset management company, depository participant, merchant banker, portfolio manager, investment adviser and any other intermediary associated with the securities market and registered under Section 12 of the Securities and Exchange Board of India Act, 1992 (SEBI Act)) and stock exchanges) ,shall have to adhere to client account opening procedures and maintenance of records and reporting of such transactions as prescribed by the PMLA and rules notified there under:

II. POLICIES AND PROCEDURES TO COMBAT MONEY LAUNDERING AND TERRORIST FINANCING

1. Essential Principles:

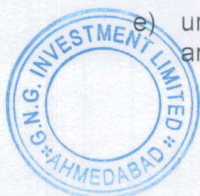
The Company has to take into account the requirements of the PMLA as applicable to the intermediaries registered under Section 12 of the SEBI Act. The Company has also to take into account the detailed directives which outline relevant measures and procedures in preventing ML and TF. The Company shall consider carefully the specific nature of its business, organizational structure, type of client and transaction, etc. to satisfy itself that the measures taken by it are adequate and appropriate and follow the spirit of the suggested measures and the requirements as laid down in the PMLA and guidelines issued by the Govt. of India from time to time.

2. Obligation to establish policies and procedures:

Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need for financial institutions, including securities market intermediaries, to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing. The PMLA is in line with these measures and mandates that all intermediaries ensure the fulfilment of the aforementioned obligations.

To be in compliance with these obligations, the senior management of our Company shall be fully committed to establishing appropriate policies and procedures for the prevention of ML and TF and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. We shall:

- a) issue a statement of policies and procedures and implement for dealing with ML and TF reflecting the current statutory and regulatory requirements
- b) ensure that the content of these Directives are understood by concerned staff members
- c) regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures
- d) adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF
- e) undertake client due diligence ("CDD") measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction



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- f) have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- g) develop concerned staff members' awareness and vigilance to guard against ML and TF.

Policies and procedures to combat ML & TF shall cover:

- a) Communication of policy relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc.
- b) Client acceptance policy and client due diligence measures, including requirements for proper identification;
- c) Maintenance of records;
- d) Compliance with relevant statutory and regulatory requirements;
- e) Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and
- f) Role of compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front-line staff, of their responsibilities in this regard.
- g) The compliance function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors.

A. WRITTEN ANTI MONEY LAUNDERING PROCEDURES

We shall adopt written procedures to implement the anti- money laundering provisions as envisaged under the PMLA. Such procedures shall include inter alia, the following four specific parameters which are related to the overall '**Client Due Diligence Process**':

- a) Policy for acceptance of clients
- b) Procedure for identifying the clients
- c) Risk Management
- d) Monitoring of Transactions

Client Due Diligence (CDD)

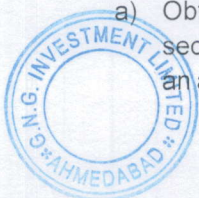
Client Due Diligence means due diligence carried out on a client using reliable and independent sources of identification

The CDD shall have regard to the money laundering and terrorist financing risks and the size of the business and shall include policies, controls and procedures, approved by the senior management, to enable the Company to manage and mitigate the risk that have been identified either by the Company or through national risk assessment.

The Company shall carry out the Client Due Diligence process by its own officials/employees and will not have reliance on third party for Client Due Diligence.

The CDD measures comprise the following:

- a) Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. 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 shall be identified



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using client identification and verification procedures. The beneficial owner is the natural person or 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.

- b) Identify the clients, verify their identity using reliable and independent sources of identification, obtain information on the purpose and intended nature of the business relationship, where applicable;
- c) Verify the client's identity using reliable, independent source documents, data or information. Where the client purports to act on behalf of juridical person or individual or trust, the registered intermediary shall verify that any person purporting to act on behalf of such client is so authorized and verify the identity of that person;

Provided that in case of a Trust, the reporting entity shall ensure that trustees disclose their status at the time of commencement of an account-based relationship.

- d) Identifying beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted. The beneficial owner shall be determined as under-
 - a) Where the client is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means.

Explanation: For the purpose of this sub-clause:

- i. "Controlling ownership interest" means ownership of or entitlement to more than ten per cent of shares or capital or profits of the company;
 - ii. "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders' agreements or voting agreements;
- b) Where the client is a partnership firm, the beneficial owner is the natural person(s) who, whether acting alone or together, or through one or more juridical person, has ownership of/ entitlement to more than ten percent of capital or profits of the partnership or who exercises control through other means.

Explanation: For the purpose of this clause:

"Control" shall include the right to control the management or policy decision;

- c) Where the client is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen per cent. of the property or capital or profits of such association or body of individuals;
- d) Where no natural person is identified under (a) or (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;
- e) Where the client is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with ten per cent or more interest in the trust, settlor, protector and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership; and
- f) Where the client or the owner of the controlling interest is an entity listed on a stock exchange in India, or it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions notified by the Central



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Government, or it is a subsidiary of such listed entities, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such entities.

- g) Applicability for foreign investors: For dealing with foreign investors' we may be guided by 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;
- h) Board of Directors of the Company shall monitor the compliance of the aforementioned provision on identification of beneficial ownership.
- e) Verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c).
- f) Understand the nature of business, ownership and control structure of the client;
- g) 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 our knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds;
- h) The company shall review the due diligence measures including verifying again the identity of the client and obtaining information on the purpose and intended nature of business relationship, as the case may be, when there are suspicions of money-laundering or financing of the activities relating to terrorism or where there are doubts about the adequacy or veracity of previously obtained client identification data: and
- i) We shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process such that the information or data collected under client due diligence is kept up-to-date and relevant, particularly for high-risk clients.
- j) We shall register the details of a client, in case of client being a non-profit organisation, on the DARPAN Portal of NITI Aayog, if not already registered, and maintain such registration records for a period of five years after the business relationship between a client and the company has ended or the account has been closed, whichever is later.
- k) Where we have suspicion that transactions relate to money laundering or terrorist financing, and reasonably believe that performing the CDD process will tip-off the client, we shall not pursue the CDD process, and shall instead file a STR with FIU-IND.
- l) No transaction or account-based relationship shall be undertaken without following the CDD procedure.

Policy for acceptance of clients

We shall develop client acceptance policies and procedures that aim to identify the types of clients that are likely to pose a higher than average risk of ML or TF. By establishing such policies and procedures, we will be in a better position to apply client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction. The following safeguards are to be followed while accepting the clients:

- a) We shall not allow the opening of or keep any anonymous account or account in fictitious names or account on behalf of other persons whose identity has not been disclosed or cannot be verified
- b) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable



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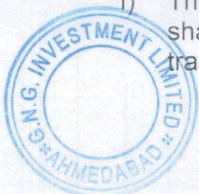
classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.

- c) We shall undertake enhanced due diligence measures as applicable for Clients of Special Category (CSC). CSC shall include the following:

- a) Non - resident clients;
- b) High net-worth clients;
- c) Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
- d) Companies having close family shareholdings or beneficial ownership;
- e) Politically Exposed Persons (PEP) are individuals who are or have been entrusted with prominent public functions by a foreign country, including the Heads of States or Governments, senior politicians, senior government / judicial / military officers, senior executives of state-owned corporations, important political party officials, etc. The additional norms applicable to PEP shall also be applied to the accounts of the family members or close relatives of PEPs;
- f) Clients in high risk countries : While dealing with clients from or situated in high risk countries or geographic areas or when providing delivery of services to clients through high risk countries or geographic areas i.e. places where existence or effectiveness of action against money laundering or terror financing is suspected, we shall apart from being guided by the FATF statements that inter alia identify such countries or geographic areas that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org) from time to time, shall also independently access and consider other publicly available information along with any other information which we may have access to.

However, this shall not preclude us from entering into legitimate transactions with clients from or situated in such high-risk countries and geographic areas or delivery of services through such high risk countries or geographic areas. We shall specifically apply EDD measures, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF;

- g) Non face to face clients : Non face to face clients means clients who open accounts without visiting our branches/offices or meeting the officials of the Company. Video based customer identification process is treated as face-to-face onboarding of clients;
- h) Clients with dubious reputation as per public information available etc.
- d) Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.
- e) Ensure that an account is not opened where we are unable to apply appropriate CDD measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to us is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. We shall not continue to do business with such a person and file a suspicious activity report. We shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. We shall be cautious to ensure that we do not return securities or money that may be from suspicious trades. However, we shall consult the relevant authorities in determining what action we shall take when we suspect suspicious trading.
- f) The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. We shall specify in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a



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specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with us, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.

- g) Necessary checks and balance to be 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
- h) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

Client Identification Procedure

We shall have a client identification procedure to be carried out at different stages i.e. while establishing the company – client relationship, while carrying out transactions for the client or when we have doubts regarding the veracity or the adequacy of previously obtained client identification data.

We shall be in compliance with the following requirements while putting in place a Client Identification Procedure (CIP):

- a) We shall proactively put in place appropriate risk management systems to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information.
- b) We are required to obtain senior management approval for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, we shall obtain senior management approval to continue the business relationship.
- c) We shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
- d) The client shall be identified by us using reliable sources including documents / information. We shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- e) The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by us in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.
- f) Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority within the company.

SEBI has specified the minimum requirements relating to KYC for certain classes of registered intermediaries from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been specified or which may be specified by SEBI from time to time, we shall frame our own internal directives based on our experience in dealing with our clients and legal requirements as per the established practices.

Further, we shall conduct ongoing due diligence where we notice inconsistencies in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued thereunder so that we are aware of the clients on whose behalf we are dealing.

We shall formulate and implement a CIP which shall incorporate the requirements of the PML Rules Notification No. 9/2005 dated July 01, 2005 (as amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients



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and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients.

It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to the Company from obtaining the minimum information/documents from clients as stipulated in the PML Rules/ SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients.

Risk Management

- Risk-based Approach:

We shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and have policies, controls and procedures in this regard. Further, we shall monitor the implementation of the controls and enhance them if necessary.

It is generally recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, we shall apply each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that we shall adopt an enhanced client due diligence process for higher risk categories of clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that we shall obtain necessarily depend on the risk category of a particular client.

Further, low risk provisions shall not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk.

- Categorization of Clients:

The Company shall categorize the clients based on the risk they are likely to pose. For this purpose, the company shall categorise the clients under low risk, medium risk and high-risk category based on appropriate Client Due Diligence process. The company shall adopt an enhanced client due diligence for higher risk categories of clients and a simplified client due diligence process for lower risk category of clients.

- a) Low Risk: Low risk clients are those who are likely to pose low or nil risk to Company. Individuals and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile may be categorized as low risk. They can be the following:
 - a) Salaried individuals
 - b) Corporates which are promoted or managed by persons with good credibility/integrity and which are updating their documentation on a regular basis.
 - c) Govt. owned Companies, Govt. Department.
 - d) HNIs with respectable social status and financial standing.
 - e) Businessmen and other entities whose identity and source of wealth easily identified.
 - f) Mutual Funds registered with SEBI.
 - g) Public Sector Undertaking, Public Banks, Private Banks.
- b) Medium Risk: Clients which are likely to pose a medium risk to the company may be categorized as medium risk. They can be the following:
 - a) Persons in business/ industry / trading activity where the area of his residence or business has a scope or history of unlawful trading/business activity.
 - b) Where the trading and settlement pattern of the client is not regular.
- c) High Risk: Clients which are likely to pose a high risk to the company may be categorized as high risk. They can be the following:
 - a) Entities into foreign exchange business.
 - HNIs whose identity and source of wealth are difficult to identify.



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- c) Registered Trust, Charities and NGOs receiving donations.
- d) Politically exposed persons.
- e) Clients whose reputation has become dubious as per public information available.
- f) Clients located in countries which are not complying with global AML/CFT standards, the list of which is published by the appropriate authorities from time to time.

- Risk Assessment

We shall carry out risk assessment to identify, assess and take effective measures to mitigate our money laundering and terrorist financing risk with respect to our clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc.)

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.

We shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and existing products. We shall ensure to undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies and adopt a risk-based approach to manage and mitigate the risks.

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.

Monitoring of Transactions

The company shall monitor the transactions of all clients on a regular basis with respect to the turnover of client, scrips traded, trading and settlement pattern, exposure limits granted and transactions which exceed the exposure limits. It is also important to understand the normal activity of the client so that it is possible to identify the deviant transactions/activities.

The company shall also ensure that the funds/ securities are received from a client through his bank account/ demat account registered with us and that payment of fund is made through account payee cheque or direct transfer to the client bank account registered with us and securities are also transferred to the registered demat account.

There should be special attention to all complex, unusually large transactions/patterns which appear to have no economic purpose and to transactions which exceeds specified threshold limits. The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/Stock Exchanges/FIUIND/ other relevant Authorities, during audit, inspection or as and when required.

We shall apply client due diligence measures also to existing clients on the basis of materiality and risk, and conduct due diligence on such existing relationships appropriately. The extent of monitoring shall be aligned with the risk category of the client.

We shall ensure that the records of the transactions is preserved and maintained for a period of five years in terms of Section 12 of the PMLA and that transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND. Suspicious transactions shall also be regularly reported to the higher authorities within the company.

B. SUSPICIOUS TRANSACTION MONITORING AND REPORTING

We shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized



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and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, we shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

A list of circumstances which may be in the nature of suspicious transactions is given below:

- a) Clients whose identity verification seems difficult or clients that appear not to cooperate
- b) Clients based in high risk jurisdictions;
- c) Attempted transfer of investment proceeds to apparently unrelated third parties;
- d) False identification documents submitted at the time of account opening.
- e) Doubt over the real beneficiary of the account.
- f) Suspicious background or links with known criminals.
- g) Circular trading.
- h) High turnover of transactions in comparison with disclosed income/assets and/or without apparent cause
- i) Give reasonable ground of suspicion that it may involve proceeds of crime.
- j) Appears to be made in circumstances of unusual or unjustified complexity.
- k) Appears to have no economic rationale or bonafide purpose.

Any suspicious transaction shall be immediately notified to the Principal Officer within the Company, in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall not be told of the report/ suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken. The Principal Officer, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

It is likely that in some cases transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. It is clarified that we shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

Clients of high-risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'CSC'. We are directed that such clients shall also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.

C. RECORD MANAGEMENT

Information to be maintained

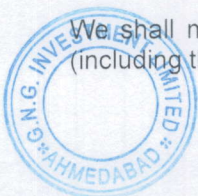
It is required to maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

- i. the nature of the transactions;
- ii. the amount of the transaction and the currency in which it is denominated;
- iii. the date on which the transaction was conducted; and
- iv. the parties to the transaction.

Record Keeping

We shall ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there- under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye- laws and Circulars.

We shall 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



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for prosecution of criminal behaviour.

In case of any suspected 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, we shall retain the following information for the accounts of the clients 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. cheques, demand drafts etc.
 - the identity of the person undertaking the transaction;
 - the destination of the funds;
 - the form of instruction and authority.

We shall ensure that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, we shall retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed there- under PMLA, other relevant legislations, Rules and Regulations or Exchange bye- laws or circulars.

We shall put in place a system of maintaining proper record of nature and value of transactions which has been prescribed under Rule 3 of PML Rules as mentioned below:

- a) all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
- b) all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency;

For the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered.

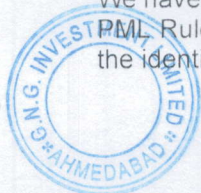
- c) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
- d) all suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into or from any non-monetary account such as demat account, security account maintained by the Company.

Where we do not have records of the identity (which include updated records of the identification date, account files and business correspondence and result of any analysis undertaken under Rules 3 and 9 of the PML Rules) of our existing clients, we shall obtain the records forthwith, failing which we shall close the account of the clients after giving due notice to the client.

Retention of Records

We shall take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PML Rules have to be maintained and preserved for a period of five years from the date of transactions between the client and the company.

We have to formulate and implement the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that we consider appropriate. Records evidencing the identity of the clients and beneficial owners as well as account files and business correspondence



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shall be maintained and preserved for a period of five years after the business relationship between a client and the Company has ended or the account has been closed, whichever is later

In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they shall be retained until it is confirmed that the case has been closed.

We shall maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, as required under Rules 7 and 8 of the PML Rules, for a period of five years from the date of the transaction between the client and the company.

D. PROCEDURE FOR FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES

Procedure for implementation of 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA)

We shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA) and amendments thereto, we do not have any accounts in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC).

We shall comply with the procedures / guidelines issued and amended from time to time by the Government of India orders to ensure expeditious and effective implementation of the provisions of Section 51A of UAPA.

Procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005

The Govt. of India , Ministry of Finance has issued an order dated 30-Jan-2023 detailing the procedure for implementation of Section 12 A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act 2005 (" WMD Act ").

The company shall comply with the procedure laid down in the said order and shall:

- (i) Maintain the list of individuals/entities ("**Designated List**") and update it, without delay;
- (ii) verify if the particulars of the entities/individual, party to the financial transactions, match with the particulars of the Designated List

In case of match,

- we shall not carry out such transaction and shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the Central Nodal Officer ("CNO"), without delay.
The details of the CNO are as under:

The Director

FIU-INDIA

Tel.No.:011-23314458, 011-23314459 (FAX)

Email: dir@fiuindia.gov.in

- run a check, on the given parameters, at the time of establishing a relation with a client and on a periodic basis to verify whether individuals and entities in the Designated List are holding any funds, financial assets or economic resources or related services, in the form of bank accounts, stocks, insurance policies etc. In case, the clients' particulars match with the particulars of Designated List, we shall immediately inform full particulars of the funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or insurance policies etc., held on their books to the CNO, without delay;



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- send a copy of the communication without delay, to the Nodal Officer of SEBI. The communication shall be sent to SEBI through post and through email (sebi_uapa@sebi.gov.in) to the Nodal Officer of SEBI, Deputy General Manager, Division of FATF, Market Intermediaries Regulation and Supervision Department, Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051;
- prevent such individual/entity from conducting financial transactions, under intimation to the CNO, without delay, in case there are reasons to believe beyond doubt that funds or assets held by a client would fall under the purview of Section 12A (2)(a) or Section 12A(2)(b) of the WMD Act;
- file a Suspicious Transaction Report (STR) with the FIU-IND covering all transactions in the accounts, carried through or attempted through.

Upon the receipt of the information above, the CNO would cause a verification to be conducted by the appropriate authorities to ensure that the individuals/entities identified are the ones in the Designated List and the funds, financial assets or economic resources or related services, reported are in respect of the designated individuals/entities. In case, the results of the verification indicate that the assets are owned by, or are held for the benefit of, the designated individuals/entities, an order to freeze these assets under section 12A would be issued by the CNO and be conveyed to the concerned reporting entity so that any individual or entity may be prohibited from making any funds, financial assets or economic resources or related services available for the benefit of the designated individuals/entities.

We shall also comply with the provisions regarding exemptions from the above orders of the CNO and inadvertent freezing of accounts, as may be applicable.

E. LIST OF DESIGNATED INDIVIDUALS/ ENTITIES

The Ministry of Home Affairs, in pursuance of Section 35(1) of UAPA 1967, declares the list of individuals/entities, from time to time, who are designated as 'Terrorists'. We shall take note of such lists of designated individuals/terrorists, as and when communicated by SEBI.

All orders under section 35 (1) and 51A of UAPA relating to funds, financial assets or economic resources or related services, circulated by SEBI from time to time shall be taken note of for compliance.

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 <https://press.un.org/en/content/press-release>.

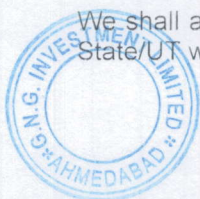
We shall ensure that accounts are not opened in the name of anyone whose name appears in said list. We shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list.

We shall maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether the designated individuals/entities are holding any funds, financial assets or economic resources or related services held in the form of securities with them.

We shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions carried through or attempted in the accounts covered under the list of designated individuals/entities under Section 35 (1) and 51A of UAPA.

Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to the Central [designated] Nodal Officer for the UAPA, at Fax No.011-23092551 and also conveyed over telephone No. 011-23092548. The particulars apart from being sent by post shall necessarily be conveyed on email id: jsctcr-mha@gov.in.

We shall also send a copy of the communication mentioned above to the UAPA Nodal Officer of the State/UT where the account is held and to SEBI and FIU-IND, without delay. The communication shall



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be sent to SEBI through post and through email (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Deputy General Manager, Division of FATF, Market Intermediaries Regulation and Supervision Department, Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051.

Jurisdictions that do not or insufficiently apply the FATF Recommendations

FATF Secretariat after conclusion of each of its plenary, releases public statements and places jurisdictions under increased monitoring to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing risks. In this regard, FATF Statements circulated by SEBI from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered by the Company.

We shall take into account the risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statements. However, it shall be noted that the regulated entities are not precluded from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statements

F. REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA

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

Director, FIU-IND,
Financial Intelligence Unit - India
6th Floor, Tower-2, Jeevan Bharati Building,
Connaught Place, New Delhi-110001, INDIA

Telephone : 91-11-23314429, 23314459
91-11-23319793(Helpdesk) Email:helpdesk@fiuindia.gov.in
(For FINnet and general queries)
ctrcell@fiuindia.gov.in

(For Reporting Entity / Principal Officer registration related queries)
complaints@fiuindia.gov.in
Website: <http://fiuindia.gov.in>

We shall carefully go through all the reporting requirements ([https://www.sebi.gov.in/sebi_data/commondocs/jun-2024/Brochures on FIU_p.pdf](https://www.sebi.gov.in/sebi_data/commondocs/jun-2024/Brochures%20on%20FIU_p.pdf)) and formats that are available on the website of FIU – IND under the Section Home - FINNET 2.0 – User Manuals and Guides -Reporting Format (https://www.sebi.gov.in/sebi_data/commondocs/jun-2024/Reporting_Format_p.pdf). These documents contain detailed directives on the compilation and manner/procedure of submission of the reports to FIU-IND.

The related hardware and technical requirement for preparing reports, the related data files and data structures thereof are also detailed in these documents. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, we shall adhere to the following:

- i. The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month;
- ii. The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall on being satisfied that the transaction is suspicious, furnish the information promptly in writing by fax or by electronic mail to the Director in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 of the PML Rules. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion;



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- iii. The Non Profit Organization Transaction Reports (NTRs) for each shall be submitted to FIU-IND by 15th of the succeeding month;
- iv. The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;
- v. Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND;
- vi. No NIL reporting needs to be made to FIU-IND in case there are no cash/ suspicious/non-profit organization transactions to be reported;
- vii. The Company , its Directors, officers and all employees shall ensure that the fact of maintenance referred to in Rule 3 of PML Rules and furnishing of information to the Director is kept confidential.

Provided that nothing in this rule shall inhibit sharing of information under Rule 3A of PML Rules of any analysis of transactions and activities which appear unusual, if any such analysis has been done.

We shall not put any restrictions on operations in the accounts where an STR has been made. The Company, its Directors, officers and employees (permanent and temporary) shall be prohibited from disclosing ("tipping off") the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/ or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level.

It is clarified that the registered intermediaries, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime.

It is further clarified that "proceeds of crime" include property not only derived or obtained from the scheduled offence but also any property which may directly or indirectly be derived or obtained as a result of any criminal activity relatable to the scheduled offence.

G. DESIGNATION OF OFFICERS FOR ENSURING COMPLIANCE WITH PROVISIONS OF PMLA

Appointment of a Principal Officer

We shall designate an officer at the Management level as a Principal Officer to discharge our legal obligations to report suspicious transactions to the authorities.

The Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors.

Names, designation and addresses (including email addresses) of 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU-IND.

Appointment of a Designated Director

We shall also designate a Whole-Time Director as a 'Designated Director' to ensure overall compliance with the obligations imposed under chapter IV of the PMLA Act and the Rules .

We shall communicate the details of the Designated Director, such as, name designation and address to the Office of the Director, FIU – IND.



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H. HIRING AND TRAINING OF EMPLOYEES AND INVESTOR EDUCATION

Hiring of Employees

The company shall ensure adequate screening procedures in place to ensure high standards when hiring employees. We shall identify the key positions within our own organization structures having regard to the risk of money laundering and terrorist financing and the size of our business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

Training of Employees

We shall have an ongoing employee training programme so that the members of the staff are adequately trained in AML and CFT procedures. 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.

Investor Education

Implementation of AML/CFT measures requires us to demand certain information from investors which may be of personal nature or has hitherto never been called for. Such information can include documents evidencing source of funds/income tax returns/bank records etc. This can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information. There is, therefore, a need to sensitize clients about these requirements as the ones emanating from AML and CFT framework. The Company shall provide the useful information on its website to educate investors the objectives of the AML/CFT programme.

I. REVIEW OF POLICY

The aforesaid PMLA policy shall be reviewed periodically with regard to testing of its adequacy to meet the compliance requirement of PMLA 2002. The Principal Officer shall give directions to undertake additions, changes, modifications etc. as directed by SEBI/FIU-India.

This Policy has been approved by the Board of Directors of the Company.

