

Purpose

Upstox Securities Private Limited is a member of the NSE, BSE and MCX having SEBI Registration No. INZ000315837, it is also registered as a DP with the CDSL, as a IA and RA with SEBI. The Anti-Money-Laundering (AML) policy has been drafted in accordance with the Prevention of Money Laundering Act, 2002 (PMLA Act) and its provisions. Also prepared as per the Master circular issued by SEBI on October 15, 2019 further amended as per the master circular issued by SEBI on June 06, 2024 and rules laid down by FIU.

INTRODUCTION TO AML

The Guidelines as outlined below provides a general background about money laundering and terrorist financing summarizes the main provisions of the applicable anti-money laundering and anti-terrorist financing legislation in India and provides guidance on the practical implications of the Act. The Guidelines also sets out the steps that a registered intermediary and any of its representatives, should implement to discourage and identify any money laundering or terrorist financing activities. The relevance and usefulness of these Guidelines will be kept under review, and it may be necessary to issue amendments from time to time.

A. BACKGROUND

Money Laundering is the process by which large amounts of illegally obtained money (from drug trafficking, terrorist activity or other serious crimes) is given the appearance of having originated from a legitimate source. All crimes that produce a financial benefit give rise to money laundering.

The Prevention of Money Laundering Act, 2002 came into effect on 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, and Government of India. The PMLA has been further amended vide notification dated March 6, 2009, and inter alia provides that violating the prohibitions on manipulative and deceptive devices, insider trading and substantial acquisition of securities or control as prescribed in Section 12 A read with Section 24 of the Securities and Exchange Board of India Act, 1992 (SEBI Act) will now be treated as a scheduled offence under schedule B of the PMLA.

As per the provisions of the Act, every banking company, financial institution (which includes chit Fund Company, a co-operative bank, a housing finance Institution and a non-banking financial company) and intermediary (which includes a stock-broker, Authorised Person, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an

issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992) shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Such transactions include:

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

It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' should also be considered.

The Anti - Money Laundering Guidelines provides a general background about money laundering and terrorist financing in India and provides guidance on the practical implications of the PMLA. The PMLA Guidelines sets out the steps that a registered intermediary and any of its representatives, need to implement to discourage and identify any money laundering or terrorist financing activities.

Financial Intelligence Unit (FIU) – INDIA

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

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

B. OBJECTIVES OF THESE GUIDELINES

The purpose of this document is to guide all the employees of Upstox Securities Private

Limited and employees of its associates on the steps that they are required to take and implement to prevent and identify any money laundering or terrorist financing activities. It shall be the responsibility of each of the concerned employees that they should be able to satisfy themselves that the measures taken by them are adequate, appropriate and follow the spirit of these measures and the requirements as enshrined in the "Prevention of Money Laundering Act, 2002".

Some of these suggested measures may not be applicable to every circumstance or to each department, Branch / Sub-broker. However, each entity should consider carefully the specific nature of its business, type of customer and transaction to satisfy itself that the measures taken by the employees are adequate and appropriate to follow the spirit of these guidelines.

C. Obligation to establish policies and procedures.

1) 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 fulfillment of the obligations.

2) To be in compliance with these obligations, the senior management of a registered intermediary is 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. The term "group" shall have the same meaning assigned to it in clause (cba) of sub-rule (1) of Rule 2 of the PML Rules as amended from time to time. Groups shall implement group-wide policies for the purpose of discharging obligations under Chapter IV of the PMLA.

Accordingly, Upstox Securities Private Limited should:

- a) issue a statement of policies and procedures, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements.
- b) ensure that the content of these Directives is understood by all staff members
- c) regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, 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
- f) have in system a place for identifying, monitoring, and reporting suspected ML or TF transactions to the law enforcement authorities.
- g) develop staff members’ awareness and vigilance to guard against ML and TF.

3) Policies and procedures to combat ML cover:

- a) Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money, and client records etc. whether in branches, departments or subsidiaries.
- 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 internal audit or 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. The internal audit 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.

Written Anti Money Laundering Procedures:

Upstox Securities Pvt Ltd have adopted written procedures to implement the anti-money laundering provisions as envisaged under the Act. Such procedures should include client due diligence process covering

- a. policy for acceptance of clients
- b. procedures for identifying the clients
- c. transaction monitoring and reporting, especially suspicious transactions reporting.

D. IMPLEMENTATION OF PMLA POLICY**1) Policy objectives**

- To prevent criminal elements from using our business for money laundering activities or the funding of terrorist or criminal activities
- To understand the customers and their financial dealings better, which in turn would help us manage the risk prudently
- To put in place appropriate controls for detection and reporting suspicious transactions in accordance with applicable laws/ laid down procedures
- To comply with applicable laws and regulatory guidelines
- To comply with PMLA Rules and Acts and amendments issued from time to time

2) Scope

These policies and procedures will apply to the operation of Upstox Securities Private Limited in respect of all the businesses undertaken by it in its capacity of an intermediary registered with SEBI and are to be read in conjunction with the existing guidelines.

3) Key Elements of the Policy

No cash transactions:

Upstox Securities Private Limited will not enter into any cash transactions with clients for any reason whatsoever.

3.1 Customer Due Diligence process:

SEBI vide their circular MIRSD / SE / Cir-21 / 2011 dated October 5, 2011, and from time to time has issued various circulars/guidelines specifying the documents required to be verified and submitted for opening of accounts of the clients in respect of stock broking and depository participant operations. These Guidelines are also reiterated by BSE, NSE, CDSL and NSDL through their circulars, which are quite exhaustive. These requirements have been adhered to.

In short, while opening accounts of individuals, the documents relating to proof of identity, proof of residence, PAN card are obtained and verified by an official of the Upstox Securities Private Limited. Moreover 'in person verification' of the client is carried out by the officials of the Upstox Securities Private Limited including VIPV and this fact is recorded in the application form. While opening of accounts in respect of entities other than individuals- documents like Memorandum of Association, Articles of Association, Board Resolution, photographs of authorized signatories, etc. are obtained.

In addition to this, PAN card details are verified on the Income Tax website. Website of SEBI (www.sebi.gov.in) is also checked, to verify whether the person/entity is prohibited from trading in securities.

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 reporting entity to manage and mitigate the risk that have been identified either by the registered intermediary or through national risk assessment.

3.1.1 The CDD measures comprise the following

- a) Obtaining sufficient information in order to identify people 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 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) Verify the client's identity using reliable, independent source documents, data or information
 - c) Identify 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;
- I. 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, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:
- aa) 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:*
 - o *more than 10% of shares or capital or profits of the juridical person, where the juridical person is a company;*
 - o *more than 10% of the capital or profits of the juridical person, where the juridical person is a partnership; or*
 - o *more than 10% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.*
 - bb) In cases where there exists doubt under clause (aa) 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. 1CIR/ MIRSD/2/ 2013 dated January 24, 2013, 11
 - cc) Where no natural person is identified under clauses (aa) or (bb) above, the identity of the relevant natural person who holds the position of senior managing official.

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- II. 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.
 - III. 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.
 - IV. Applicability for foreign investors: Intermediaries dealing with foreign investors' may be guided by the clarifications issued vide SEBI circulars CIR/MIRSD/11/2012 dated September 5, 2012 and CIR/ MIRSD/ 07/ 2013 dated September 12, 2013, for the purpose of identification of beneficial ownership of the client.
 - V. The Stock Exchanges and Depositories shall monitor the compliance of the aforementioned provision on identification of beneficial ownership through half yearly internal audits. In case of mutual funds, compliance of the same shall be monitored by the Boards of the Asset Management Companies and the Trustees and in case of other intermediaries, by their Board of Directors
 - d) Understand the ownership and control structure of the client;
 - e) 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 client, its business and risk profile, taking into account, where necessary, the client's source of funds.
 - f) Upstox Securities Private Limited shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

3.1.2 Customer Acceptance Policy

- a) Identification of the types of clients that are likely to pose a higher-than- average risk of money laundering so that Upstox Securities Private Limited is in a better position

to apply client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction.

- b) No account to be opened in a fictitious / benami name.
- c) Factors of risk perception of the client are clearly defined interalia having regard to clients' location, nature of business, manner of making payment for transactions undertaken. Parameters should enable classification of clients into low, medium and high risk. Clients will be categorised into low, medium and high-risk clients enabling proper monitoring and risk management.
- d) Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require a higher degree of due diligence and regular update of Know Your Client (KYC) profile.
- e) Documentation requirement and other information to be collected in respect of different classes of clients depending on 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.
- f) No account is opened where we are unable to apply appropriate CDD measures/ KYC policies or the information provided is suspected to be nongenuine, or if there is perceived non-cooperation of the client in providing full and complete information.
- g) The circumstances under which the client is permitted to act on behalf of another person / entity should be clearly laid down. It should be specified in what manner the account should be operated, transaction limits for operation, additional authority required for transactions exceeding a specified quantity/ value and other appropriate details. Adequate verification of a person's authority to act on behalf of the client should also be carried out.
- h) 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 manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide.
- i) Financial Institution or intermediary, as the case may be, 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 a reporting entity has ended or the account has been closed, whichever is later.
- j) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).
- k) For all Clients during on-boarding are screened against our internal system wherein any client fall in SEBI Debarred, UNSC sanctions list and UAPA orders are flagged off and restricted from account opening. Further checks are in place and screening is done for

FCRA orders and FATF Public statements published/advised by the SEBI, these needs to be reviewed & check the orders/guidelines published by the regulators to identify whether any client is forming part of that list, then such clients shall be blocked and reporting to regulatory agencies is done accordingly.

- l) DPs may ensure strict adherence to the provisions of section 12A of WMD Act, 2005 and notifications issued thereunder The List of such Individuals and Entities can be accessed from [FIU-IND portal at: https://www.un.org/securitycouncil/content/2231/list](https://www.un.org/securitycouncil/content/2231/list)

3.1.3 Risk-based Approach and Risk Profiling of the Client

- a) We shall accept the clients based on the risk that they are likely to pose. The aim is to identify clients who are likely to pose a higher-than-average risk of money laundering or terrorist financing. For this purpose, we need to classify the clients as Low risk, medium risk, and high-risk clients. By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high risk clients we have to apply a higher degree of due diligence. The factors of risk perception depend on client's KYC details, location, nature of business/trading activity, turnover, nature of transaction, manner of payment etc.

In order to achieve this objective, all clients should be classified in the following category:
Category A – Low Risk Category B – Medium Risk Category C – High risk

High Risk:

Clients of special category (CSC) are considered as high-risk client such as

- i. Nonresident clients
- ii. High net worth clients
- iii. Trust, Charities, NGOs and organizations receiving donations
- iv. Companies having close family shareholdings or beneficial ownership
- v. Politically Exposed Persons (PEP) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of 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 as contained in the subsequent para 2.2.5 of this circular shall also be applied to the accounts of the family members or close relatives of PEPs.
- vi. Companies offering foreign exchange offerings.

- vii. Clients in high-risk countries. While dealing with clients from or situate 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 suspect, intermediaries apart from being guided by the Financial Action task Force (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 they may have access to. However, this shall not preclude intermediaries 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. The intermediary 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;
- viii. Non face to face clients
- ix. Clients with dubious reputation as per public information available etc

The above-mentioned list is only illustrative, and the Upstox Securities Private Limited at its discretion can classify any other clients in high-risk category. Accounts which belong to the “Clients of Special Category” will be flagged and precautions will be taken about their operation.

Medium Risk

The following clients are considered as medium risk:

- i. Individuals with occupation as business or agriculture
- ii. Legal entities like body corporate, partnership firms, LLP, HUF etc.
- iii. Clients coming from state of Jammu & Kashmir

Low Risk

- a) Clients which do not fall under the High risk/Medium risk category get classified under Low risk.
- b) 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.
- c) Upstox Securities Private Limited has to be careful while monitoring the transactions of B and C category clients. Where a client is classified under the Medium or High-Risk category, said accounts should be kept under the supervision of Principal Officer and take action as and when required.
- d) Apart from this Upstox Securities Private Limited needs to exercise extra caution while monitoring the transactions of NRI/NRE/PIO and foreign clients, especially when the payment is being made in foreign currency.

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- e) Any change in the risk profile of the client is modified in our system as per the risk category defined above.

3.1.4 Risk Assessment

- a) Upstox Securities Private Limited shall carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to:
- Clients.
 - Countries or geographical areas,
 - Nature and volume of transactions,
 - Payments methods used by clients,
 - large number of accounts having a common account holder,
 - Unexplained transfers between multiple accounts with no rationale,
 - Unusual activity compared to past transactions,
 - Doubt over the real beneficiary of the account,
 - Payout/pay-in of funds and securities transferred to /from a third party,
 - Off market transactions especially in illiquid stock and in F&O, at unrealistic prices, Large sums being transferred from overseas for making payments,
 - In consistent with the clients' financial background.
 - 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 reference shall be made to the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions
- b) 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.
- c) A thorough assessment should be carried out to ascertain whether the client is dealing with us on his own behalf or someone else is the beneficial owner. If there are doubts, before acceptance of the clients, thorough due diligence should be carried out to establish the genuineness of the claims of the clients. Secrecy laws shall not be allowed as a reason for refusal to disclose the identity of the client.
- d) A detailed search to be carried out to ensure that the Client is not in

defaulters/negative list of regulators. (Search shall invariably be carried out on SEBI website www.sebi.gov.in, Ministry of Corporate Affairs sponsored website www.watchoutinvestors.com and UN website at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml)

3.1.5 Client Identification Procedure

- 1) The KYC policy shall clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the intermediary – client relationship, while carrying out transactions for the client or when the intermediary has 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 or accessing the commercial electronic databases of PEPS. Further, the enhanced CDD measures shall also be applicable where the beneficial owner of a client is a PEP.
 - 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, registered intermediaries 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 the Upstox Securities Private Limited by 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 to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the intermediary 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 intermediary.
- 2) SEBI has prescribed the minimum requirements relating to KYC for certain classes of registered intermediaries from time to time as detailed in Schedule II. Taking into account the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time, all registered intermediaries shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices. Further, the intermediary shall conduct ongoing due diligence where it notices 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 the intermediary is aware of the clients on whose behalf it is dealing.
- 3) We do not onboard any FPI clients, Foreign body corporates, foreign nationals.

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

- a) Upstox Securities Private Limited 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, Upstox Securities Private Limited shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

3.2 Record Keeping

- a) Upstox Securities Private Limited 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 Byelaws and Circulars.
- b) Upstox Securities Private Limited 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 for prosecution of criminal behavior.

- c) Should there be any suspected related to 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 our clients to maintain a satisfactory audit trail:
- i) the beneficial owner of the account.
 - ii) the volume of the funds flowing through the account; and
 - iii) 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.
- d) Upstox Securities Private Limited 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, they 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 byelaws or circulars.
- e) More specifically, Upstox Securities Private Limited shall put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:
- i. all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
 - ii. 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.
 - iii. all cash transactions where forged or counterfeit currency notes or banknotes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions.
 - iv. all suspicious transactions whether made in cash and by way of as mentioned in the Rules.

3.3 Information to be maintained

Upstox Securities Private Limited shall 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
- iv) the parties to the transaction.

3.4 Retention of Records

- a) We have 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 must be maintained and preserved for a period of Five years from the date of transactions between the client and UPSTOX SECURITIES PRIVATE LIMITED.
- b) As stated in sub-section 3.2.5, we implement the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. Records evidencing the identity of clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of Five years after the business relationship has ended or the account has been closed, whichever is later.
- c) Thus, the following document retention terms shall be observed:
 - i) All necessary records on transactions, both domestic and international, shall be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed thereunder as well SEBI Act) and other legislations, Regulations or exchange byelaws or circulars.
 - ii) We shall maintain and preserve the records of documents evidencing the identity of its clients and beneficial owners (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of Eight years after the business relationship has ended or the account has been closed, whichever is later.
- d) In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, we shall be retained until it is confirmed that the case has been closed.
- e) Records of information reported to the Director, Financial Intelligence Unit – India (FIU – IND): 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.

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- f) In the case of transactions where any investigations by any authority have been commenced and in the case of transactions, which have been the subject of suspicious transactions reporting, all the records shall be maintained till the authority informs of closure of the case.

4) Monitoring of Transactions

- i. Regular monitoring of transactions is vital for ensuring the effectiveness of the AML procedures. This is possible only if the intermediary understands the normal activity of the client so that it can identify deviations in transactions / activities.
- ii. Upstox Securities Private Limited shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. The intermediary may specify internal threshold limits for each class of client accounts and pay special attention to transactions which exceed these 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 to SEBI/stock exchanges/FIUIND/ other relevant Authorities, during audit, inspection or as and when required. These records are required to be maintained and preserved for a period of Eight years from the date of transaction between the client and intermediary.
- iii. Upstox Securities Private Limited shall ensure a record of the transactions is preserved and maintained 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 intermediary.
- iv. Further, the compliance cell of Upstox Securities Private Limited shall randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.
- v. If any transaction appears to be suspicious it is to be reported to the Compliance Department/ Principal Officer & Designated Director immediately.
- vi. For effective monitoring, an internal alerts system is in place wherein alerts based on Red Flag Indicators(RFI) as mandated by FIU are generated by surveillance system. These alerts are analysed w.r.t below points:
 - Examining KYC details of clients
 - Financial transactions vis-à-vis his declared income.
 - Volume concentration in relation to exchange volumes and impact on exchange prices.

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- Trading pattern whether intraday or delivery.
 - Concentration of his dealings in scrips
 - Trend & periodicity in dealings of client
 - Seeking trading rationale from client
 - Analysis of ledger accounts of clients
 - Google search for publicly / media available information
 - Analyzing source and target accounts transactions with underlying trading position etc.
 - Obtaining confirmation from client for accounts which were dormant
 - Any other information that analyzer deems fit.

Apart from above, Exchange transaction alerts and Depository alerts are also monitored and analyzed.

5) Suspicious Transaction Monitoring and Reporting

1. Upstox Securities Private Limited shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, intermediaries shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.
2. A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:
 - i. Clients whose identity verification seems difficult or clients that appear not to cooperate
 - 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 based in high-risk jurisdictions.
 - iv. Substantial increases in business without apparent cause.
 - v. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash.
 - vi. Attempted transfer of investment proceeds to apparently unrelated third parties.
 - vii. unusual transactions by CSCs and businesses undertaken by offshore banks/financial services, businesses reported to be in the nature of export- import of small items.
3. Any suspicious transaction shall be immediately notified to the Money Laundering Control Officer or any other designated officer within the intermediary. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of

suspicion. However, it shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall not be told of the report/ suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken. The Principal Officer/ Money Laundering Control Officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

4. 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 intermediaries shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.
5. Clause 2.2.4 (g) of SEBI Master Circular categorizes 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'. Intermediaries 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.
6. Upstox Securities Private Limited will, 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.

6) List of Designated Individuals/ Entities

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

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

In order to ensure expeditious and effective implementation of the provisions of Section 51A of UAPA, Government of India has outlined a procedure through an order dated February 02, 2021 (Annexure 1) for strict compliance. These guidelines have been further amended vide a Gazette Notification dated June 08, 2021 (Annexure 2). In view of the reorganization of Divisions in the Ministry of Home Affairs and allocation of work relating to countering of terror financing to the Counter Terrorism and Counter Radicalization (CTCR) Division, the Government has modified the earlier order dated August 27, 2009 by the order dated March 14, 2019 (Annexure 1) for strict compliance.

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

With respect to the Procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 Upstox Securities Private Limited shall follow:

- (i) Maintain the list of individuals/entities ("Designated List") and update it
- (ii) verify if the particulars of the entities/individual, party to the financial transactions, match with the particulars of the Designated List and in case of match, stock exchanges and registered intermediaries 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 areas under:

The Director FIU-
INDIA

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

Email: dir@fiuindia.gov.in

- (iii) 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, stock exchanges and registered intermediaries 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

- (iv) Send a copy of the communication 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
- (v) File a Suspicious Transaction Report (STR) with the FIU-IND covering all transactions in the accounts.

9) Reporting to Financial Intelligence Unit-India

a) In terms of the PML Rules, intermediaries are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit- India (FIU- IND) at the following address: Director, FIU-IND, Financial Intelligence Unit - India, 6th Floor, Tower-2, Jeevan Bharati Building, Connaught Place, New Delhi-110001, INDIA Telephone : 91-11-23314429, 23314459; 91-11-23319793(Helpdesk) Email: helpdesk-fiu@fiuindia.gov.in (For FINnet 2.0 and general queries) ctrcell@fiuindia.gov.in (For Reporting Entity / Principal Officer registration related queries), helpdesk-fiu@fiuindia.gov.in Website: <http://fiuindia.gov.in> & <https://www.fingate.gov.in/> . Under List of Designated Individuals/ Entities: 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. The Stock exchanges and the registered intermediaries 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 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. The consolidated list of UAPA Nodal Officers is available at the website of Government of India, Ministry of Home

Affairs.

b) We shall carefully go through all the reporting requirements and formats that are available on the website of FIU – IND under the Section Obligation of Reporting Entity – Furnishing Information – Reporting Format (https://fiuindia.gov.in/files/downloads/Filing_Information.html).

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 noncash, or a series of transactions integrally connected are of suspicious nature. 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.
- iii) The Non-Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month, if applicable.
- iv) The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;
- v) The utmost confidentiality shall be maintained in the filing of CTR, STR and NTR to FIUIND.
- 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.

- b) We shall not put any restrictions on operations in the accounts where an STR has been made. Our 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 FIUIND. 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.

10) Designation of officers for ensuring compliance with provisions of PMLA

Appointment of a Principal Officer:

To ensure that Upstox Securities Private Limited properly discharge their 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 e-mail addresses) of 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU. Accordingly, we have appointed Mr. Kapil Jaikalyani as the principal officer and his appointment has been duly informed to Director- FIU.

Appointment of a Designated Director

In terms of Rule 2 (ba) of the PML Rules, Upstox Securities Private Limited has appointed Mr. Amit Lalan as the Designated Director to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules. The Designated Director will ensure the filing of necessary reports with the Financial Intelligence Unit (FIU – IND). His appointment has been duly informed to Director-FIU.

11) Employees' Hiring / Employees' Training / Investor Education/

Policy Review:

a) Hiring Policy

Upstox Securities Private Limited follows high standards when hiring employees. We give preference to candidates referred to by our existing employees, employees of group concerns.

- Interview by HR
- Interview by head of the department which has been requisitioned for filling vacancy.
- We do background check for employees with the help of information available on internet, references given by candidates as well as independently through tie with recruitment agency or third-party verification.
- No candidate is selected who has dubious character or there is negative information provided by his or her reference.
- As such the use of outside search firms is discouraged, but if required we go for the same to check whether we can get some good candidate from it, but the procedure to be followed post selecting the candidate remain the same. Our reference check is also there in addition to recruitment agency.

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- After the selection, the candidate has to adhere to code of conduct as prescribed by Upstox Securities Private Limited from time to time.

b) Training

We have regular training programs, where the staff members (front office, back office, compliance, risk etc.) are updated about the AML and CFT procedures.

Adequate training should be given to all the concerned employees to ensure that the contents of the guidelines are understood and develop awareness and vigilance to guard against money laundering and terrorist financing.

c) Investor Education

Implementation of AML/CFT measures requires intermediaries 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 questions by the client about the motive and purpose of collecting such information. There is, therefore, a need for Upstox Securities Private Limited to sensitize their clients about these requirements as the ones emanating from AML and CFT framework. Accordingly, the above process is required and in place during monitoring of client's transactions.

The compliance officer shall prepare specific literature/ pamphlets etc. to educate the client of the objectives of the AML/CFT program.

d) Periodicity of Review of PMLA policy:

The policy will be reviewed periodically or as an when required.

-----End of Document-----