



POLICIES OF
BNB FINANCIAL SERVICES PVT LTD

CLIENT CODE MODIFICATION POLICY

Preamble

BNB FINANCIAL SERVICES PVT LTD is a Commodity Broker, trading member of MCX . As such, it carries out only pro trading now, trading of its clients in exchange is through various branch offices including offices of its sub-brokers / franchisees / authorised person etc. While carrying out its functions as a Broker, it might happen sometimes that due to certain reasons, the client codes might not have been entered correctly at the time of either order entry or need to be changed once converted into trades so that proper and correct effect of those vary transactions can be given. However, SEBI and Exchanges have issued various circulars in this regard. Accordingly, with a view to minimise the errors being committed in this regard, certain objective criteria for identifying genuine errors for client code modification of non-institutional trades and guidelines for the implementation of the requirement of those circulars are given below.

1. To rectify genuine error in entry of client code at the time of placing / modifying the related order, Permission of Head – RMS or such other higher authority designated by the management must be obtained prior to changing the client codes.
2. Such permission shall be given to change client codes of non-institutional clients only for the following criteria: (a) Error due to communication and/or Punching / Typing error - Such that the original client code / name and the modified client code/name are similar to each other. [For e.g. if the code entered by punching D001 instead of B001 due to communication error] (b) Modification within relatives (“Relative” for this purpose would mean “relative” as defined under the Companies Act, 2013) BNB FINANCIAL SERVICES PVT LTD [A MEMBER OF MCX]
3. In case of shifting of any trade (Institutional or non-institutional trades) not accepted by any client, such trades MUST be first shifted to designated “ERROR” account and relevant position subsequently liquidated / closed out in the market. Once, the trades have been transferred to such Error Account, the same shall NOT be shifted to some other client code.
4. UCC for such Errors Account MUST be uploaded to respective Exchange. Accordingly, KYC Department is directed to take all necessary steps to upload the same immediately and to report about successful uploading of the same (with documentary evidences, if any) to the Compliance & RMS Team.
5. Further, the designated employee(s) MUST inform the respective Exchange (as per the mechanism established by them in this regard) on a daily basis by end of day, the reasons for modification of client codes of non-institutional trades based on the aforesaid objective criteria. Further, he/she MUST preserve all related documentary records in this regard so as to assist the Compliance Team at the time of Inspection in this regard.

6. All related employees are STRICTLY warned not to modify any client code in the back-office system or after the close of the modification window provided by the Exchange(s).
7. All concerned or deemed to be concerned employees are strictly advised to comply with this guideline or policy in true letter and spirit.

KRA POLICIES

All the documents like Id proof, residence proof will be collected and verified by us. We verify PAN with the NSDL Pan Site and affix the Rubber stamp as required. We verify the proof documents with original documents. We assign names and signature of the introducer at the required places. We obtain Bank details and DP details in case of Trading account.

All the clients are required to visit our office or our employee visit to clients place in person. The account is opened as per the name printed on the PAN card after making verification from NSDL Tin Site / Income tax. The concerned officer who is carrying out in person verification will put his signature and fill up details in appropriate format in KYC form. The office in-charge will carry out due diligence i.e. their whereabouts, experience in capital market and shall make the client aware of risk factor in dealing in capital market. From Office we make call for verification of certain information and after taking the information KYC forms are allowed to proceed.

Account is opened after verifying all the required documents and copy of complete KYC is sent to the Clients address and we obtained the acknowledgement. After opening the accounts UCC is uploaded to the respective segment of the exchange/s. When UCC is uploaded successfully to the exchange, the clients are mapped on the Trading System on next day.

Delay in cases where client has not submitted required proof of address or proof of identity or other documents in case NRI / HUF / Partnership Firm / corporate Accounts, until full documents are not received, we would not proceed the KYC.

After opening the Accounts, we dispatch the Welcome Kit which contains the client account opening pages, Tariff card copy and other documents to the clients. We are regularly updating our back office software to know the name of debarred Entities issued by SEBI. We are also verifying the Client who seeks to open Account with United Nations list which need as per PMLA guidelines.

Now as per New KRA Regulation and after successful implementation of KRA we comply with KRA Regulations for the KYC Opened after January 2012. As per KRA policy we fill Form I for individual and Form N for non individual corporate client including HUFs and along with form we enclose Copy of PAN Card and Address proof duly self authenticated by the client. We ensure that all new clients KRA details are sent to KRA agencies within 10 days of KRA details uploaded to KRA website.

We also check the status of KRA after 30 days of KRA uploaded and follow up action is initiated for KRA

approval. In case of corporate clients we carry out the KRA of each Promoter having in excess of 25 % of the shares of respective corporate. In case of partnership firm we carry out the KRA of each partner having in excess of 15 % of the capital or profits of the firm. And in case status of KRA is hold after 45 days we deactivate the client code from our back office.

ANTI MONEY LAUNDERING POLICY

This is proprietary document of BNB FINANCIAL SERVICES PVT LTD. – Commodity Brokers. Any unauthorized use or copying of this document is prohibited. Permission of the Principal Officer must be obtained before taking copies or circulating this document.

Background

Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, SEBI had issued the Guidelines on Anti Money Laundering Standards vide their notification No.ISD/CIR/RR/AML/1/06 dated 18 January 2006 and vide letter No.ISD/CIR/RR/AML/2/06 dated 20 March 2006 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI. Further, updated with recent circular reference CIR/MIRSD/1/2014 12.03.2014

What is Money Laundering?

Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/origins. This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

Prevention of Money Laundering Act, 2002

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

Financial Intelligence Unit (FIU) – INDIA

The Government of India set up Financial Intelligence Unit-India (FIU-IND) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister. FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

Policy of BNB FINANCIAL SERVICES PVT LTD.

BNB FINANCIAL SERVICES PVT LTD has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame-work to report cash and suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002. This policy is applicable to BNB FINANCIAL SERVICES PVT LTD Employees, Sub- Brokers and Authorised Persons (AP).

Objective of these Guidelines

The purpose of this document is to guide all the employees of BNB FINANCIAL SERVICES PVT LTD 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.

Implementation of this Policy

Mr. **Rajesh Lakshmanan Govindarajapuram** will be the Principal Officer who will be responsible for Compliance of the provisions of the PMLA and AML Guidelines Act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions ensure that BNB FINANCIAL SERVICES PVT LTD discharges its legal obligation to report suspicious transactions to the concerned authorities. The main aspect of this policy is the Customer Due Diligence Process which means:

Obtaining sufficient information about to the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted. Verify the customer's identity using reliable, independent source document, data or information. Conduct on-going due diligence and scrutiny of the account/client to ensure that the transaction conducted are consistent with the client's background/financial status, its activities and risk profile.

The Customer Due Diligence Process includes three specific parameters :

Policy for Acceptance of Clients

Client Identification Procedure

Suspicious Transactions identification & reporting

Customer Acceptance Policy

Each client should be met in person:

Accept client whom we are able to meet personally. Either the client should visit the office/branch or concerned official may visit the client at his residence / office address to get the necessary documents filled in and signed. Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client. Accepts clients on whom we are able to apply appropriate KYC

Procedures:

Obtain complete information from the client. It should be ensured that the initial forms taken by the clients are filled in completely. All photocopies submitted by the client are checked against original Documents without any exception. Ensure that the 'Know Your Client' guidelines are followed without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified.

Do not accept clients with identity matching persons known to have criminal background:

Check whether the client's identify matches 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/regulatory agency worldwide.

Be careful while accepting Clients of Special category:

We should be careful while accepting clients of special category like NRIs, HNIs, Trust, charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed share holding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange, etc.) or clients from high- risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma,etc). Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category

Guidelines on Identification of Beneficial Ownership:

For non- individual customers as part of the due diligence measures sufficient information must be obtained in order to identify persons who beneficially own or control 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 should be identified and verified using client identification and verification procedures as early as possible. 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(s) is/are being conducted. It includes persons who exercise ultimate effective control over a legal person or arrangement.

Do not accept client registration forms which are suspected to be fictitious:

Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.

Do not compromise on submission of mandatory information/ documents:

Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.

Customer Identification Procedure (FOR NEW CLIENTS)

Objective: To have a mechanism in place to establish identity of the client along with firm proof of address to prevent opening of any account which is fictitious / benami / anonymous in nature.

Documents which can be relied upon:

PAN CARD: PAN card is mandatory and is most reliable document as only one card is issued to an individual and we can independently check its genuineness through IT website.

IDENTITY Proof: PAN Card itself can serve as proof of identity. However, in case PAN card carries an old photograph of the holder, which does not match current facial features of the client, we should take other identity proof in form of Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card.

ADDRESS Proof: For valid address proof we can rely on Voter's Identity Card, Passport, Bank Statement, Aadhaar Letter, Ration card and latest Electricity/ telephone bill in the name of the client.

Documents to be obtained as part of customer identification procedure for new clients:

In case of individuals, one copy of the following documents have to be obtained :

As PAN is mandatory, verify its genuineness with IT website and cross verify the PAN card copy with the original. Please put "verified with original" stamp as proof of verification. Other proofs for identity are Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card or any other document prescribed by the regulatory authorities.

Address proof in the form of Voter's Identity Card, Passport, Bank Statement, Ration card, Aadhar card and latest Electricity/telephone bill in the name of the client or any other document prescribed by the regulatory authorities.

In case of corporate, one certified copy of the following documents must be obtained:

Copy of the Registration/Incorporation Certificate

Copy of the Memorandum & Articles of the Association

Copy of the PAN card and the Director Index No. (DIN)

Copy of the latest audited Annual Statements of the corporate client

Latest Net worth Certificate

Latest Income Tax return filed.

Board Resolution for appointment of the Authorized Person who will operate the account.

Proof of address and identity of Authorized Person

In case of partnership firm one certified copy of the following must be obtained:

Registration certificate

Partnership Deed

PAN card of partners

Authorization letter for the person authorized to open and operate the account

Proof of identity and address of the authorized person.

Annual statement/returns of the partnership firm

In case of a Trust, one certified copy of the following must be obtained:

Registration certificate

Trust Deed

PAN card

Authorization letter for the entity authorized to act on their behalf

Officially valid documents like PAN card, voters ID, passport, etc of person(s) authorized to transact on behalf of the Trust.

In case of unincorporated association or a body of individuals, one certified copy of the following must be obtained:

Resolution of the managing body of such association or body of individuals

PoA in favour of person authorized to transact

Officially valid documents like PAN card, voters ID, passport, etc of the person(s) authorized to transact any document required by BNB FINANCIAL SERVICES PVT LTD to establish the legal existence of such an association or body of individuals.

General Guidelines

Always check original documents before accepting the copies. Obtain the latest photograph of account holder/ authorized person(s). Check for latest IT return of the client/ Net worth Certificate for ascertaining the financial status of the client to know the client suitability of the product being sold to the client. Review the above details on-going basis to ensure that the transactions being conducted are consistent with our knowledge of customers, its business and risk profile, taking into account, where necessary, the customer's source of funds.

Scrutinize the forms submitted by the client thoroughly and cross check the details with various documents obtained like source of income. If required, ask for any additional details like salary slips, etc. to satisfy yourself whenever there is a doubt.

For scrutiny/background check of the clients, websites such as www.watchoutinvestors.com should be referred. Also, Prosecution Database / List of Vanishing Companies available on www.sebi.gov.in and RBI Defaulters Database available on www.cibil.com can be checked. Keep watch on the welcome kits returned with reason - undelivered. Business Head should be alerted, client be contacted immediately on telephone and the trading, if suspected, should be suspended Employee of BNB FINANCIAL SERVICES PVT LTD should not preferably sign as witness on the CRF If Employee of BNB FINANCIAL SERVICES PVT LTD introduces the client, exact relation of the client with such employee should be documented.

For all Existing clients

On an on-going basis, the branches should ensure that the details given in the KYC, by the client, matches with the current details of the client. If required, we can seek additional documents/information from the client to verify the financial/general status of the client.

In cases Where:

There is any material negative change in the financial details of the client from what is given in the KYC.

If the client is not contactable/traceable or contracts notes/ communications sent are received back undelivered.

In case the client is prohibited by any regulatory authority.

The client refuses to provide additional information/document asked for.

There is a material change in the mandate holder profile/details

Risk Profiling of the Client

We should accept the clients based on the risk 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 client we have to apply higher degree of due diligence. The factors of risk perception depend on client's location, nature of business activity, turnover, nature of transaction, manner of payment etc.

In order to achieve this objective, all clients of the branch should be classified in the following category :

Category A – Low Risk

Category B – Medium Risk

Category C – High risk

Category A clients are those pose low or nil risk. They are good corporate/HNIs who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of commodities, if required.

Category B clients are those who are intra-day clients or speculative clients. These are the clients who maintain running account with BNB FINANCIAL SERVICES PVT LTD.

Category C clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc.

We have to be careful while monitoring the transactions of B and C category clients. Apart from this we need 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. Any change in the risk profile of the client/mandate holder, has to be ascertained by the concerned branch officials, and reported to the Business Head immediately.

Mandate Holder Policy

The primary objective of this policy is to ensure that we are aware as to who is the ultimate beneficiary of the transaction and that the transactions executed, through the mandate holder are bonafide. It is possible that some of the individual clients might appoint a mandate holder. Normally the trading account is opened in the name of various family members and one the family member will hold the mandate. Also, in case of some NRI clients who are based abroad, there may be on a PoA/Mandate in favour of a person residing in India. Whenever any account is operated by a mandate holder, find out the relationship of the mandate holder with the client, followed by establishing the identity of the mandate holders by obtaining proof of identity and address.

Do not accept any payment from the account of mandate holder in favour of the client. All the payments have to be received from the client's bank account only for which the PoA holder may or may not have the mandate to operate the bank account. Similarly pay-out cheque should be issued only in the name of the client and not in the name of the mandate holder.

In case there is suspicion on the relationship between the mandate holder and the actual client or in case behavior of the mandate holder is suspicious, do take necessary advice from the Business Head.

Roles

Relationship Manager/Dealer/Branch Manager/Branch Coordinator/ Business Head

The RM/ Dealer/ BM/ Coordinator should meet the client in person at least once before opening the account at the address given by the client. In the process he may reasonably verify the living standards, source of income, financial status, etc. of the client and ensure that the details mentioned in the CRF (Client Registration Form) matches with the actual status.

If the client is a 'walk-in client', then the concerned branch official should make independent verification about the background, identity and financial worthiness of the client.

All mandatory proofs of identity, address and financial status of the client must be collected as prescribed by the regulatory authorities, from time to time. The proofs so collected should be verified with the originals. If the prospective client is refusing to provide any information do not forward his/ her account opening form to HO.

IN PERSON VERIFICATION can do by SUB BROKER for SUB BROKER Clients.

The Business Head has to be completely satisfied about the background, genuineness and financial status of the client before recommending for opening the account. If required, the Business Head may seek additional information/documents from the client.

If the account is to be handled by a PoA /mandate holder, then find out what is the relationship between the client and the PoA/Mandate holder, establish the identity and background of the client and the PoA/Mandate holder (by obtaining the required documents) and ensure that the PoA/Mandate Holder has the proper authorization.

In case of a corporate account, the branch officials should ensure that the authorized person has got

the required mandate by way of Board Resolution. Also, the identity and background of the authorized person has to be established by obtaining the required documents.

Please consult the Zonal/ Country Business Head before dealing with any NRE, NRO, PIO or foreign clients.

Risk Management Team

Risk Management Team (RMT) gives exposure to clients based on margin available in the system and clean exposure to selected clients based on recommendations of the Business Managers. It is also the duty of RMT to validate such exposures with the financial details provided by the client in KYC forms. Where there is a trading activity of the client, which is not commensurate with the financial details declared by the client, it should be analyzed and referred to the Principal Officer with reasons of suspicion.

The risk management team shall carry out risk assessment to identify and access the risk. Shall ensure that the effective steps are taken to mitigate such risk.

It will also look at geographical location of office client, nature and volume of transaction and mode of payment the client and will keep into account the sanctions Of United Nations Security Council. Resolution such assessment shall be in writing and documented and made available to competent authority and exchanges

Monitoring Of Transactions

Scrutinize unusually large transactions like, clients having traded in a commodity for a quantity of 20,000 or more in a single day and volume in that commodity of that client is 25% or more of the total volume in that commodity of the Exchange.

Check trade log for indication of negotiated trades (if any)

Check for any relation of the client with the company / directors / promoters.

Check previous trading pattern of the clients in that particular commodity.

Select randomly few clients and pick their few transactions and scrutinize to check whether they are of suspicious nature or not.

If substantial increase in turnover in a dormant account is found, should be brought into the notice of the senior management. Review balances and trading in the dormant accounts. Be vigilant on the movement of credit balances of the dormant account.

Analysis is carried out by RMT to identify clients with huge and regular losses and are still placing trades/orders. Identify the Sources of funds in such cases.

Analysis be also carried out in respect of disproportionate profit/ loss booked by a client trading in "F&O" segment vis-à-vis the value of the contract in illiquid commodities/ derivatives

Suspicious transactions to include 'transactions integrally connected' as well as 'transactions remotely connected or related'

Parameters for analyzing the transactions:

Analysis of top clients in terms of turnover

On a periodic basis identify top 200 clients on descending order of turnover and ascertain whether the same matches with the financial status of the client. Moreover, analyze whether there is commensurate fund movement, whether the payments are being made, in cheque and from the bank account(s) of the clients registered with BNB FINANCIAL SERVICES PVT LTD etc. To the extent possible, obtain the latest Income Tax return of the client to ascertain the financial capacity of the client.

Analysis of top client in terms of increase in turnover

On a periodic basis identify the top 100 clients, on descending order of increase in turnover over a threshold amount of Rupees One Crore. Then analyze whether the same matches with the financial status of the client, whether there are commensurate funds movement, whether the payments are being made through cheque from the bank account(s) of the client, etc. To the extent possible, we need to obtain the latest Income Tax return of the client to ascertain the level of income of the client.

Matched trades (where the buy and sell clients are with the same broker)

On a daily basis identify the matched trades (where the buy and sell orders are from same/different branches of BNB FINANCIAL SERVICES PVT LTD). Further analyze whether the client are indulging in any sort of manipulation like shifting of profits from one account to another, creating artificial volumes, circular trading, indulging in price manipulation etc.

Client concentration in particular commodity or select commodities.

On a periodic basis, ascertain whether any client is concentrating on any particular commodity. This will help in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc. or is having insider information.

Analysis of trades in illiquid counter (illiquidity can be with reference to the average volume in the commodity over the last 3 months below a particular level)

A daily analysis of the client's volume with respect to the total traded volume at the exchange has to be done. (TTQ analysis). This will help in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc.

Trades shifted from one client to another within the same broker

On a daily basis, analyze the details of trade shifted from one client to another, either during the market hours or after the market hours. This will help us in identifying whether the client is trying to hide his identity, indulging in profit/loss transfer, availing exposure while in debit balance, etc.

Analysis of client payments in DD, Pay order, cash etc.

Though we encourage only online electronic transactions, we undertake a periodic analysis of all the payments received from client by way of DD/Pay order. This will help in ascertaining whether any client's DD/ Pay Orders have been purchased against "Cash" or might whether any client is making third party payments. The third party payments can relate to employees also. Employees/Sub broker account trades need to analyze the trades undertaken in the employees or sub broker's own trading account. It is possible that the employees/sub brokers might be accepting cash from the clients and execute the trades

in their account. Similarly, it is possible that the profit on trades of the clients being shifted to the employees/sub broker's accounts. Frequent change in client details like bank account, demat account, address, etc

A monthly analysis of changes in the client details has to be undertaken to identify the clients who are making frequent changes whether the client trying to hide or confuse his identity.

Role of Channel Partner Team

Monitoring Of Proprietary Transactions of Channel Partner:

For scrutiny / back ground check of the Franchisee, websites such as www.watchoutinvestors.com should be referred. Also, Prosecution Database/ List of Vanishing Companies available on www.sebi.gov.in Check for high volume in proprietary account of channel partner / Sub-broker and his/her relations. List all off market transfers and if in doubt seek explanation from concerned Channel partner separately. Check for third party funds (cheques received from bank accounts other than mapped bank accounts and demand drafts / pay orders)

Role of Human Resource Department

The Human Resource Department and other Department Heads involved in hiring new employees should have adequate screening procedure in place to ensure high standards in hiring new employees. Bona fides of employees are checked to ensure that the employees do not have any link with terrorist or other anti-social organizations. Not only Know Your Customer (KYC) policy but also "Know Your Employee" procedures should be in place.

Role of Regional Business Heads/Zonal Business Head /Branch Co-ordinator

Being in the field, they have market intelligence about potential mischief makers which should be brought to the notice of CRD, Legal and RMT.

Role of Legal Cell

KYC forms and other documents drafted should invariably have undertaking from the client that he is not indulging in or has not been associated with any money-laundering activity or terrorist activity and that he has not been convicted of any fraud/offence/ crime by any regulatory authority existing in the country. All disclosure documents should have notice to the client informing about company's right to obtain and disclose any information about the client to the competent authority as may be required.

Role of Training Division

Briefings to new employees at induction programs and rounds of small meetings and presentations at branch locations. Adequate training should be given to all the concerned employees to (a) ensure that the contents of the guidelines are understood and (b) develop awareness and vigilance to guard against money laundering and terrorist financing. Adequate training should be given to all the concerned clients including investors to (a) ensure that the contents of the guidelines are understood and (b) develop awareness and vigilance to guard against money laundering and terrorist financing. As of now, BNB FINANCIAL SERVICES

PVT LTD AML policy will be covered during the induction training given to given to all new recruits and also during the on-going compliance sessions at the regions.

Role of Internal Audit

This Policy will be reviewed regularly by the Internal Audit Head for its effectiveness since the person reviewing the policy should be different from the person framing the policy.

Cash Transactions

All are requested not to accept cash from the clients whether against obligations or as margin for purchase of securities or otherwise. All payments shall be received from the clients strictly by account payee crossed cheques drawn in favour of BNB FINANCIAL SERVICES PVT LTD or NEFT/RTGS. The same is also required as per SEBI circular no. SMD/ED/IR/3/23321 dated November 18, 1993 and SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003. In case account payee cheques have been received from a bank account other than that captured in records the same can be accepted after ascertaining that the client is the first holder of the account. Relevant copies of the supporting documents should be sent to HO and details of such accounts should be captured in records. Only in exceptional cases, bank draft/pay-order may be accepted from the client provided identity of remitter/purchaser written on the draft/pay-order matches with that of client else obtain a certificate from the issuing bank to verify the same.

Suspicious Transactions

All are requested to analyze and furnish details of suspicious transactions, whether or not made in cash. It should be ensured that there is no undue delay in analysis and arriving at a conclusion.

What is a Suspicious Transaction:

Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith -

Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or

Appears to be made in circumstance of unusual or unjustified complexity; or

Appears to have no economic rationale or bona fide purpose

Reasons for Suspicious:

Identity of client

False identification documents

Identification documents which could not be verified within reasonable time

Non-face to face client

Clients in high-risk jurisdiction

Doubt over the real beneficiary of the account

Accounts opened with names very close to other established business entities

Receipt back of well -come kit undelivered at the address given by the client

Suspicious Background

Suspicious background or links with criminals

Multiple Accounts

Large number of accounts having a common parameters such as common partners / directors / promoters / address/ email address / telephone numbers introducer or authorized signatory

Unexplained transfers between such multiple accounts.

Activity In Accounts

Unusual activity compared to past transactions Use of different accounts by client alternatively Sudden activity in dormant accounts

Activity inconsistent with what would be expected from declared business s

Account used for circular trading

Nature Of Transactions

Unusual or unjustified complexity; No economic rationale or bonafide; purpose Source of funds are doubtful

Appears to be case of insider trading; Purchases made on own account transferred to a third party through an off market transactions through DP account; Transactions reflect likely market manipulations Suspicious off market transactions

Value Of Transactions

Value just under the reporting threshold amount in an apparent attempt to avoid reporting Large sums being transferred from overseas for making payments Inconsistent with the clients apparent financial standing Inconsistency in the payment pattern by client

Block deal which is not at market price or prices appear to be artificially inflated/deflated

What to Report

The nature of the transactions, The amount of the transaction and the currency in which it was denominated, The date on which the transaction was conducted: and The parties to the transaction.

The reason of suspicion.

When to Report

In terms of the PMLA rules, brokers and sub-brokers are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) 6th Floor, Hotel Samarat, Chanakyapuri, New Delhi - 110021 as per the schedule given below :

Report	Decommodification	Due Date
CTR	All cash transactions of the value of more than Rs.10 Lakhs or its equivalent in foreign currency	15th day of the succeeding month

	All series of cash transactions integrally connected to each other which have been valued below Rs.10 Lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month	15th day of the succeeding month
CCR	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*	Not later than seven working days from the date of occurrence of such transaction*
STR	All suspicious transactions whether or not made in cash	Not later than seven working days on being satisfied that the transaction is suspicious*
NTR	Non Profit Organization Transaction Report	Not later than seven working days on being satisfied that the transaction is suspicious*

In view of the same, Zonal Heads are required to collect information from the Branches/Departments/Sub-brokers under their control/ jurisdiction and submit report on Cash transactions on monthly basis, to Mr Rajesh Lakshmanan Govindarajapuram, by the 5th day of the following month and suspicious transactions to the Principle Officer within three working days of establishment of such transaction to enable the Principal Officer to report the same to the Director, Financial Intelligence Unit-India (FIU-IND) within the stipulated time.

Other Important Points

Reasons for treating any transaction or a series of transactions as suspicious should be recorded. It should be ensured that there is no undue delay in arriving at such a conclusion. Utmost confidentiality should be maintained in submitting the information. The reports may be transmitted by email/speed/registered post/fax at the Head Office addressed to the Principal Officer. No restriction may be put on operations in the accounts where a Suspicious Transaction Report has been made. It should be ensured that there is no tipping off to the client at any level.

Formulate/Review/Training On The Internal Policy And Procedure To All Staff/Sub-Brokers

This internal policy and procedure on "The Prevention of Money Laundering Act, 2002" should be brought to the notice of all employees by HRD through the Company's intranet. All sub-brokers/ channel partners shall be intimated by the Fortune Service Team and update on the applicable provisions of The Prevention of Money Laundering Act, 2002 and the reporting mechanism by way of a circular. Staff training and implementing specific procedures for customer identification and retaining internal records of transactions. The Internal Policy should be placed before the Head and if any changes in the policy are warranted, the revised policy should be placed before the Head for review and approval

Mr Rajesh Lakshmanan Govindarajapuram is designated Director for PMLA and the same is intimated to the FIU New Delhi *The records of the clients will be preserved for a period of five years from the last transactions.*

In case any further information /clarification is required in this regard, the 'Principal Officer' may be contacted.

Mr Rajesh Lakshmanan Govindarajapuram

Director

This policy shall be reviewed every year and approved by the board of company and shall be communicated to all concerned including director FIU.

Policy on pre funded Instruments and Electronic Fund Transfer

If the aggregate value of pre-funded instruments is Rs. 50,000/- or more from client per day per client, we may accept the instruments only if the same are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank.

And the mode of certification may include the following either:

- a. Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
- b. Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.
- c. Certified copy of the passbook/bank statement for the account debited to issue the instrument.
- d. Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument.

We also maintain an audit trail of the funds received through electronic fund transfers to ensure that the funds are received from their clients only.

RISK MANAGEMENT POLICY

*We use TWS by MCX as front-end software.

*The risk parameters are the very well defined by the Directors. The executive personnel do not have any authority to change any risk parameters defined and instructed to them and installed on the software.

*Further, the trade surveillance and monitoring of trading activities of different constituents connected to our main server is being viewed on continuous basis and alerts, warnings are sent to the erring constituents immediately and corrective actions are taken instantly.

*Further, the analysis of trading activity of major clients is being regularly done to ensure that no risk of bad debts or faulty activity is carried out by any constituents.

POLICY ON CODE CHANGES

*We do not make any code changes in the back office without following the approved procedure by the Exchange for code changes.

*The code changes are made only, if any, for the correcting the mistakes by technical operator if it is learned well within time limit permitted by the Exchange.

*Rigorous training is imparted to each and every technical operator and if he/se continue to make mistakes warning is to be issued.

*As soon as the code changes request is received, It is checked & verified who has committed mistake and brought to the notice to management and after obtaining approval verbally the code changes is quickly carried out. We would constitute genuine errors with regard to client code modifications, if any.

*Error due to communication and/or punching or typing such that the original client code/name and the modified client code/name are similar to each other.

*Modification within relatives ('Relative' for this purpose would mean "Relative" as defined under the Companies Act, 1956).

*We keep record of code changes and mistakes made by repetitive terminal operator to ensure such mistakes are minimized.

*Code changes module is not used any purpose other than this.

*We disclose the client codes which are classified as 'Error Accounts' to the Exchange at the time of UCC upload.

* We periodically review the trades flowing to the 'Error Account.

DUE DILIGENCE

Procedures and policies followed by the company

We are following the procedure for different areas of operations as under:

This procedure has been explained to all concerned, dealing officials and no deviations are permitted at their level if any deviations required they have to obtain approval from the director.

1. Client Registration and documentation and updations

The branches/ sub brokers (if any) are given duly stamped empty client agreement forms similarly at head office stamped empty KYC forms are kept ready. As and when the client approaches for account opening the due diligence of the client is carried out by the director at head office and by the branch head/ sub broker at their offices. The required copies of documents like PAN Number, address proof and bank details

DP details etc. are collected and verified with original and originals are returned back to the respective clients. PAN number is verified from Income Tax web site. The action taken report data is checked before activating the client. Further in person verification is carried out by concern officials mentioned above. The client is made to understand risk in dealing in capital market during in person verification. Then only the client is activated in UCC and concern client is informed about the Client ID and make to understand the risk dealing in the capital market. Any up-dations in address, bank details, DP details etc. the dealing officials collect the proof and verifies with originals and update in back office and this papers are kept with respective KYCs . All KYCs are stored client code wise Branch wise / sub broker wise and easily accessible. No client is entertained if he walks in for client registration. We verify the financial details from his bank account and copy of latest income tax return. We have adopted the concept of maker and checker while dealing with KYC in order to avoid any mistakes. The copy of client registration form is given to the client and acknowledgement is obtained. We do not offer any promotional schemes nor offer any thing free to the clients. We do not out source client registration work. Further we also ensure the updating in net worth and income every year on 1st April and ask clients to update the same every year.

2. Closures of client account and dormant accounts

Any clients who has not traded over six month and have zero balance or insignificant debit or credit balance are treated as dormant accounts. The dealing officials are advised to re confirm the trade request made by such account holders. The clients who have not traded over two years are deleted from the server and if client desires to trade new KYC is obtained. In case client has not traded over six month such client places the order, re- confirmation is obtained by calling the clients. We do not allow client to transfer from one branch/ sub broker to another branch/ sub broker.

3. Order receipt and execution:

Orders are received either on phone, written, in person or any electronic mode at head office, branch/ sub broker office. They are punched in to the systems carefully as instructed by the client.

4. Sending contract notes, daily margin statement quarterly statements of accounts to the clients

We send contract notes to clients to the registered e-mail address only. The password to access their back office data, is issued to the client through a welcome letter. In case client desires to change his/ her Email Ids the letter to that effect is obtained and change is carried out. We send on daily basis the outstanding positions along with M To M, margin paid and short fall in margin (if any) to each client, thro the web portal. The margin shortfall is monitored by the director on daily basis.

5. Collection of pay in , margin , limits setting for exposures & turnover for clients, terminals, branches & sub broker level (Risk Management)

The director continuously monitor for ensuring each and every clients makes the PAY IN in-time. In case of delay from clients side in PAY IN appropriate action is taken by the director. The trading limits are reduced

or zeroed in till such time the full PAY IN is received. Similarly the branch/ sub broker limits are also reduced or closed. We have written down policies for risk management and which is also exhibited to the clients. We do not do any funding to clients. We do not allow any third party transfers in any client accounts nor do we accept cash or DD or bankers cheques.

6. Liquidation of client position :

In case when client does not maintain sufficient funds as per the compliances, positions are squared off after the necessary communications.

Transfer of trades :

We do not transfer any trades in back office. The transfer of trades on account of mistakes done by dealing operators are only transferred as per the system lay down by the exchange. The operators are trained and warned for more than one such mistakes.

7. Investor's redressed Mechanism

Any complain received on phone, orally or by email the first thing we ask them to give it in writing. Complain is entered in complain register and put up before the director. The director issues appropriate instructions and the resolution are arrived at. However there are no complains as such during the period. The complain register is maintained at head office clients are informed about the E mail for investor's grievances through contract notes. The director monitors the pending investor complains and also calls the client and the branch/ sub brokers in charge immediately after market hours and appropriate action is taken for redresal and necessary instructions are issued to the concerned officials. The complaints are handled by the director. The director during the personal hearing with the client examines all aspects and also verifies relevant records and payments made by the clients. We do not maintain more than one back office software.

8. Allotment, surrender trading terminals.

We have TWS as front-end. We carry out surprised inspection of the branches, if any, and ensure that no unauthorized use of the trading terminal is done by the branches, if any. We convey to the clients of the closed branch/ sub brokers by telephone. In case client desirous to trade he is conveyed over telephone. We have a check list which list downs the steps followed for opening and closing of the branch/ sub brokers. In case of closing the business with sub broker the cancellation procedure like issuing public notice and surrendering the sub broker registration to SEBI the exchange.

9. Payments, receipts of fund from / to clients.

The pay out is made and pay in received from the clients through a designated bank account declared by the clients. Any PAY IN cheques is received from any other accounts is rejected and if the client is produces the proof of account , in such case the additional bank details is uploaded to the back office after

verification of documents. We do not use clients stocks for any other purposes other than making pay in on his behalf. No third party transfers of securities are permitted

10. Capacity of systems with reference to volume

We have adequate and updated system installed at our Head office which addresses our trading as well as back office needs.

11. Branch audit

We carry out branch/ sub brokers inspection every year, if any, and check all aspects as laid down by SEBI like sign board, display of notice board, SEBI certificate, contact person name and telephone number. Further, we also verify that no cash dealing is done by the branch. We further verify that the branch is not trading outside the trading system. Further we also verify that branch do not obtain the signed blank DP Instructions from the clients. We check from the clients that they receive statement of accounts, contract notes etc. We also maintain the report of branch/ sub broker's inspection carryout by us. We have appointed internal auditor as prescribed by the exchange with detailed scope as specified by the exchange. Any adverse remarks made by the internal auditors are placed before the board and corrective action are undertaken immediately. No new branches are opened without survey conducted in that area. In case we decide to open the branch the sub broker registration is obtained first and then only terminal is activated in case of sub brokers branches and company does not wish to open new branches own in the present circumstances.

12. PMLA

We have a separate a written down policy which has been explained to all our dealing officials. The policy is regularly reviewed by the directors.

Due diligence is carried out for

- a. Opening a client account
- b. Entering in to a sub broker agreement
- c. Appointing any personnel

We carry out in person verification of the clients and therefore there are no benami accounts. We do not have any accounts as specified entities in guideline for anti money laundering by SEBI. In due diligence of the clients we also ask the client to fill up the introducers column and signature of the introducer is obtained. We are in the process of establishing automated alerts for dormant and suspicious transactions in the back office software. We have appointed the principal officer and the Anti Money Laundering Policy has been forwarded to FIU. We make aware our clients and branch in charge about Anti Money Laundering Policy and impart training to them from time to time. Further, we also classify the clients into different

categories like high risk clients, low risk clients and medium risk clients with specific reference to ANTI MONEY LAUNDRING policy. We have developed the reporting system for suspicious transactions.

ESCALATION POLICY

Any complain is received on phone, orally or by email the first thing we ask them to give it in writing. Complain is entered in complain register and put up before the director. The director issues appropriate instructions and the resolution are arrived at. The complaint register is maintained at head office clients are informed about the E mail for investor's grievances through contract notes. The director monitors the pending investor complains and also calls the client and the branch/ sub brokers in charge immediately after market hours and appropriate action is taken for redressal and necessary instructions are issued to the concerned officials. The complaints are handled by the director. The director during the personal hearing with the client examines all aspects and also verifies relevant records and payments made by the clients.

INACTIVE ACCOUNT POLICY

1. The policy for INACTIVATION is prepared in accordance with the rules of National level commodity exchanges as mentioned in the circulars viz; Circular No: MCX/COMP/513/2009 dated December 15, 2009 and Circular No. MCX/COMP/298/2010 dated August 21, 2010 with Subject: Monitoring of Inactive Clients account.
2. Definition of ' Inactive' accounts: Inactive codes/accounts, generally, mean codes/accounts which are not used by clients in the preceding six months. " Any new requests for orders to trade should be accepted from such clients only on receipt of specific written request from the client for permission to trade along with completion of all required formalities of KYC, if necessary".
3. Treatment of Inactive Account All trading accounts where transactions have not been executed in the preceding six months will be changed to INACTIVE mode. For reactivation of accounts, such clients will have to submit a reactivation request letter along with KYC updation, if any.
4. All the funds/securities lying in the inactive clients will be transferred to the clients during the quarterly settlement.
5. This policy will be updated in case of material changes as per intimation from the National level commodities exchanges.

SURVEILLANCE POLICY

With respect to the transactional alerts being downloaded from the Exchanges/generated by the Company, the following activities will be carried out based on UCC parameters:

Client(s) Information

Due Diligence of its client(s) will be carried out on a continuous basis. It will also be ensured that key KYC parameters are updated on a continuous basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange. Based on this information, the Company will establish groups / association amongst clients to identify multiple accounts / common account / group of clients.

Analysis

In order to analyze the trading activity of the Client(s) / Group of Client(s) identified based on above alerts, Company will:

- A. Seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions.
- B. Seek documentary evidence such as bank statement / trading transaction statement or any other documents to satisfy itself:
 - i) In case of funds, Bank statements of the Client(s) / Group of Client(s) from which funds pay- in have been met, to be sought.
 - ii) The period for such statements may be at least +/- 15 days from the date of transactions to verify whether the funds for the settlement of such trades actually belongs to the client for whom the trades were transacted.
- C. After analyzing the documentary evidences, the Company will record its observations for such identified transactions or Client(s)/Group of Client(s).
- D. In case adverse observations are recorded, the Company will report all such instances to the MCX/SEBI/FIU within 45 days of the alert generation. The Company may seek extension of the time period from the Exchange, wherever required.

Monitoring and reporting

Following procedure will be followed for monitoring and reporting of alerts:

- A. Receipt of Alerts from Exchanges / generated .
- B. Time frame for disposition of alerts and if there is any delay in disposition, reason for the same shall be documented.

C. Suspicious / Manipulative activity identification and reporting process

D. Record Maintenance

E. A quarterly MIS shall be put up to the Board on the number of alerts pending at the beginning of the quarter, generated during the quarter, disposed off during the quarter and pending at the end of the quarter. Reasons for pendency shall be discussed and appropriate action will be taken. The Board shall be apprised of any exception noticed during the disposition of alerts.

F. The surveillance process shall be conducted under overall supervision of its Compliance Officer.

G. Compliance Officer will be responsible for all surveillance activities carried out by the Company and for the record maintenance and reporting of such activities.

H. Based on facts and circumstances, the Company will exercise its independent judgment and will take adequate precaution.