

LSC SECURITIES LIMITED

PREVENTION OF MONEY LAUNDERING (PML) POLICY

(Reviewed by the Board of Directors in its meeting held on 24.12.2024)

1. INTRODUCTION

This Policy has been framed by LSC Securities Limited in order to comply with the applicable Anti Money Laundering Standards and to take measures to prevent LSC Securities Limited from being used as a vehicle for Money Laundering and Terrorist Financing

Need for this Policy

The Prevention of Money Laundering Act, 2005 came into effect from 1st July 2005. LSC Securities Limited is an intermediary in the securities market registered with the Securities and Exchange Board of India as a Stock Broker and a Depository Participant and is thus required to adopt and implement a policy for Prevention of Money Laundering pursuant to the Prevention of Money Laundering Act, 2005 and the Rules, Regulations and Notifications thereunder.

Pursuant to the recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering standards, The Securities and Exchange Board of India, has from time to time issued circulars directing Intermediaries to adopt Strict Customer Due Diligence practices in order to prevent Money Laundering.

2. Policy objectives:

This Policy aims to achieve the following objectives:

- To protect *the Company from* being used as a vehicle for money laundering/terrorist financing
- To follow thorough Know Your Customer (KYC) policies and Procedures in the course of day-to-day business.
- To take appropriate action, once suspicious activities are detected, and report them to the designated authorities in accordance with applicable law / laid down procedures.
- To consider and review the recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering standards, The Securities and Exchange Board of India, has from time to time

3. Implementation of this Policy

Appointment of Principal Officer

Mr. Madhur Gupta, AGM-ISD shall be Principal Officer for the Purpose of Prevention of Money Laundering and shall:

- ❖ Be responsible for compliance of the provisions of the Prevention of Money Laundering Act, 2005 and the Rules, Regulations and Notifications thereunder
- ❖ Act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions
- ❖ Report transactions and sharing of information as required under the law and to the Management of the Company/FIU from time to time as deemed necessary.

In addition to the Principal Officer, Mr. Ashwani Kumar Aggarwal, Director of the Company has been appointed as Designated Director in terms of SEBI Circular dated March 12, 2014.

Structure of the Policy

The main aspect of this policy is the Customer Due Diligence Process which means:

- Obtaining sufficient information about the client in order to identify who is the 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 transactions conducted are consistent with the client(s) background/financial status, its activities and risk profile.

The Customer Due Diligence Process includes three specific parameters:

- A. Policy for Acceptance of Clients
- B. Client Identification Procedure
- C. Suspicious Transactions identification & reporting

A. CUSTOMER ACCEPTANCE POLICY

The Customer Acceptance Norms specified herein below shall be applicable to clients sourced through Sub-brokers/ Authroised Persons of LSC Securities Limited.

1. **In-person verification:** In person verification shall be mandatory for all clients. Accounts shall be opened only for those persons whose in-person verification has been done as per the SEBI/Stock Exchange/Depository or other regulations in this regard.
2. **KYC Procedures:** Accept only clients in respect of whom complete KYC procedures has been completed. Client account shall not be opened in case the client fails to submit any required documents:
 - a. Documents shall be accepted as per the checklists given from time to time
 - b. Photocopies submitted by the clients shall be compulsorily verified with original
 - c. All details in the form shall be filled in by the clients without fail
3. **Debarred Clients:** Before clients opens an account check whether the client's name matches with names appearing in the SEBI Debarred List.
4. **Clients of Special Category:** Due care shall be taken while accepting clients of Special Category include but shall not be limited to the following-
 - i. Non- resident clients
 - ii. High net-worth clients

- iii. Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
- iv. Politically Exposed Persons (**PEP**) (i.e. 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. and family members or close relatives of PEPs)
- v. Companies offering foreign exchange offerings
- vi. Clients in High Risk Countries

Treatment of Accounts of Clients of Special Category

1. **NRI:** While opening NRI account utmost care should be exercised. While opening an NRI Repatriable or NRI Non Repatriable inter alia, collect the following documents from the clients:

NRI Repatriable/Non Repatriable

1. PAN Card Copy
 2. Passport Copy
 3. Indian Address Proof
 4. Cancelled Cheque copy of NRE A/c
 5. PIS Permission issued from RBI.
 6. NRI Address Proof
 7. Bank Statement Copy.
 8. Client Master Copy for demat account.
2. **High Networth Clients:** High networth clients could be classified as such if at the account opening stage or during the course of the relationship, it is realized that the client's investments or the appetite for investment is high.
 3. **Trust, Charity and NGOs:** Both public as well private, registered as well unregistered trust will have to be classified in the special category. Any Charitable or Non Governmental organization or a no Profit Organization will be also classified herein.
 4. **Politically Exposed Persons:** In case of PEPs, the account should be opened after collection of all the required documents and client should be marked as PEP in records.
 5. **Company offering foreign Exchanges:** At the account opening stage if the individual or the entity is registered foreign exchange dealer, then the same may be categorized.
 6. **Client in High Risk Country:** Do open any account received from client who was residing in a high risk jurisdiction and may have investment proceeds which may have also originated from these countries. The list may be obtained from the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org).

B. CUSTOMER IDENTIFICATION POLICY

The following Customer Identification Norms shall be adhered to in respect of all new clients to establish the identity of the client along with firm proof of address to prevent opening of account which is

fictitious/benami/anonymous in nature.

Proof of Identity:

Every client would be identified based on only photo identity as prescribed under applicable KYC norms. The PAN Card, which is compulsory, would also serve as a photo identity. Other Identity proofs which might be collected for verification are as under:

- I. Passport
- II. Voter ID Card
- III. Driving license
- IV. PAN card with photograph
- V. Unique Identification Number (UID) (Aadhar Card)
- VI. Identity card/document with applicant's Photo, issued by
 - a) Central/State Government and its Departments,
 - b) Statutory/Regulatory Authorities,
 - c) Public Sector Undertakings,
 - d) Scheduled Commercial Banks,
 - e) Public Financial Institutions,
 - f) Colleges affiliated to Universities (this can be treated as valid only till the time the applicant is a student),**
 - g) Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members, and
 - h) Credit cards/Debit cards issued by Banks.

Proof of Address:

The address of the Client would be verified from one of the following:

- I. Ration card
- II. Passport
- III. Voter ID Card
- IV. Driving license
- V. Bank passbook / Bank Statement
- VI. Unique Identification Number (UID) (Aadhar Card)
- VII. Verified copies of
 - a) Electricity bills (**not more than three months old**),
 - b) Residence Telephone bills (**not more than three months old**) and
 - c) Leave and License agreement / Agreement for sale.
- VIII. Self-declaration by High Court & Supreme Court judges, giving the new address **in respect of their own accounts.**
- IX. Identity card/document with address, issued by
 - a) Central/State Government and its Departments,
 - b) Statutory/Regulatory Authorities,
 - c) Public Sector Undertakings,
 - d) Scheduled Commercial Banks,

- e) Public Financial Institutions,
- f) Colleges affiliated to Universities (**this can be treated as valid only till the time the applicant is a student**) and
- g) Professional Bodies such as ICAI, ICWAI, Bar Council etc., to their Members.
- h) 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:
- i) **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:

- more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

In cases where there exists doubt under clause 4 (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

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

Where no natural person is identified under clauses 4 (a) or 4 (b) above, the identity of the relevant natural person who holds the position of senior managing official.

For client which is a trust:

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

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.

Applicability for foreign investors:

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

4.

Basic KYC Norms to be followed for verification / scrutiny

- a) The photograph in the PAN card and in any other document proof which contains a photograph must match. This should be followed to ensure that no account is opened in anonymous or fictitious names.
- b) As per SEBI, NSDL, NSE & BSE guidelines, all Address and Identification proofs, should be verified with the originals by any of the Persons/ Entities Authorised by the Regulatory Authority in this regard.
- c) In-Person verification of Applicant (s) made compulsory as per Exchanges and Depository norms should be done by any of the Persons/ Entities Authorised by the Regulatory Authority in this regard.
- d) Proof should be collected for both permanent address and correspondence address and the same should be verified with originals.
- e) Verify whether any of the existing Client, falls in the list of Persons / Entities debarred by SEBI from dealing in securities. In case of new client falling within the category, such account should not be opened. Clients name in the regulatory orders issued by the exchanges on a day to day basis should be barred from trading with immediate effective.
- f) In case of Non Resident clients, remittance only from approval banking channels will be accepted. In case of FIIS, the investment must be from the current account maintained with the Reserve Bank of India.
- g) Clients should not be activated to trade in derivative segment unless the clients submit a valid proof of financial information.

Ongoing Customer Due Diligence

- Any communication in respect of the Client shall be with the Client only
- Trade Orders/Instructions shall be accepted from the Client only.
- In case the client wishes to authorise a third party to give trade orders/instructions to the company in the clients account, a written consent shall be provided by the Client and KYC documents like Proof of Identity, Proof of Address shall be obtained.
- 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.

5.

Risk Categorisation

All clients should be categorized on the basis of the risk of money laundering or terrorist financing that they are likely to pose.

Clients should broadly be classified in the following categories

Low Risk	Clients who pose low or nil risk. They are corporates/HNIs who have a respectable social and financial standing. Clients who fulfill obligations on time. (Also includes the clients having income range between Rs.5 to Rs.10 Lacs p.a.)
Medium Risk	Clients having income range between Rs.1 Lac to Rs.5 Lacs p.a.
High Risk	Clients having income of less than Rs.1 Lac p.a. and also the Clients of Special Category including NRI.

(i) Countries subject to sanctions, embargoes or similar measures issued by, for example, the United Nations (“UN”). In addition, in some circumstances, countries subject to sanctions or measures similar to those issued by bodies such as the UN, but which may not be universally recognized, may be given credence by a company because of the standing of the issuer and the nature of the measures.

(ii) Countries identified by the Financial Action Task Force (“FATF”) as non-co-operative countries and territories (NCCT) in the fight against money laundering or identified by credible sources as lacking appropriate money laundering laws and regulations

(iii) Countries identified by credible sources as providing funding or support for terrorist activities.

(iv) Countries identified by credible sources as having significant levels of corruption, or other criminal activity.

The above categorization shall be done initially at the time of opening of the Clients account and shall be reviewed on an ongoing basis depending of the trading pattern etc. of the clients.

6.

Suspicious Transactions

Suspicious transactions involve funds which are derived from illegal activities or are transactions that are intended/ conducted in order to hide or disguise funds or assets derived from illegal activities.

Criteria giving rise to suspicion:

It is difficult to define exactly what constitutes suspicious transactions and as such given below is a list of circumstances where transactions may be considered to be suspicious in nature. This list is only inclusive and not exhaustive. Whether a particular transaction is actually suspicious or not will depend on the background, details of the transactions and other facts and circumstances.

1. Complex /unusually large transactions/ patterns which appear to have no economic purpose.
2. Sudden activity in dormant accounts
3. Multiple accounts
 - i. Large number of account having a common account holder, authorized signatory with no rationale
 - ii. Unexplained transfers between multiple accounts with no rationale
4. Substantial increase in business without apparent cause (Unusual activity compared to past transactions)

5. Inconsistency with clients apparent financial standing
6. Unusual transactions by Clients of Special Category (CSCs) and business undertaken by shell corporations, offshore banks/financial services, businesses reported to be in the nature of export-import of small items
7. Suspicious off market transactions

Monitoring of Transactions at LSC Securities Limited

1. Generation and review of reports generated on Periodic Basis
2. Review of alerts / reports sent by Exchanges/ Depositories from time to time
3. List of FATF issued by the authorities from time to time.

7.

Policy for Dormant Accounts

A. DEFINITIONS

The following accounts shall be categorized as Dormant Accounts:

I. Demat accounts

A Demat account having no debit transactions in the last 6 (six) calendar months shall be classified as Dormant account.

II. Trading account

A Trading account in which no transaction has been carried out for a period of more than 24 (Twelve) calendar months shall be classified as a Dormant Account. For this purpose, trading status of all the Active Clients are reviewed on daily basis and the Trading Accounts in which no transaction has been carried out during last 24 months are classified as Dormant Account.

B. TREATMENT OF DORMANT

ACCOUNTS Transactions in Dormant

Trading Accounts

In case of dormant trading accounts in which no transaction has been placed during the 24 (Twelve) calendar months, the account of the client shall be locked and the client shall not be permitted to execute a fresh transaction in the account unless the client provides either of the following:

- An e-mail request to reactive the account and process the transaction. Such e-mail request shall be sent only from the e-mail id of the Client registered with LSC Securities Limited; or
- A written request to reactive the account and process the transaction duly signed by Client and submitted to LSC Securities Limited; or
- A telephonic request to reactive the account and process the transaction.

C. MONITORING OF TRANSACTIONS IN DORMANT ACCOUNTS

- Sudden activity in dormant accounts may be viewed as a suspicious transaction.
- Any debit transactions in dormant Demat accounts or any transactions in dormant Trading accounts shall be reported as an Alert and adequate reports shall be generated.
- Such alerts/reports shall be reviewed by the Authorised Official.
- Transactions found to be suspicious shall immediately be reported to the Risk Management and Compliance Department.

8. Training On Prevention of Money Laundering

The Company provides anti-money laundering training to all the concerned employees on periodic basis. The training reviews applicable money laundering laws and recent trends in money laundering activities as well as the Company's policies and procedures to combat money laundering, including how to recognize and report suspicious transactions

Maintenance of Records

In terms of rules made under the PMLA Act, LSC Securities Limited shall maintain a record of:

- a. all cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
- b. all series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month;
- c. all cash transaction where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- d. all suspicious transactions whether or not made in cash;

RECORD KEEPING REQUIREMENTS

Nature of Record	Preservation period
Record pertaining to Transaction of Clients	8 Years
Record pertaining to Identity of Clients	For a period of eight years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.
Record pertaining to documents evidencing the Identity of Clients	For a period of eight years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later."
Records pertaining to monitoring of Transactions and information reported to IFU	For a period of eight years from the date of Transactions between the Client and LSC Securities Limited

9. Reporting (Disclosure) of Suspicious Activity

The Principal Officer(s) shall report the information relating to suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address as may modified by the SEBI from time to time:

Director, FIU-IND,
Financial Intelligence Unit-India, 6th
Floor, Hotel Samrat, Chanakyapuri,
New Delhi

The above-stated policy may be modified or reviewed at any time in accordance with the various rules, regulations, bye-laws, and guidelines that may be prescribed by SEBI, Exchange or any other competent authority or as per the internal policy of the organization from time to time.