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ZEN SECURITIES LIMITED

PMLA POLICY

Applicability

Zen Securities Limited (ZSL) is a SEBI Registered Intermediary (Broking/ DP)

In compliance with

- The PMLA Act, 2002 and PMLA (Maintenance of Records) Rules, 2005 as modified and rules thereof
- SEBI Circular and Directives including SEBI Master Circulars ref. SEBI/ HO/ MIRSD/MIRSDSECFATF/P/CIR/2024/78 dated 06.06.2024

ZEN Policy

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

Essential Principles:

2. ZSL shall consider carefully the specific nature of its business, organizational structure, type of client and transaction, etc. to satisfy itself that the measures taken by it are adequate and appropriate and follow the spirit of the suggested measures and the requirements as laid down in the PMLA and guidelines issued by the Government of India from time to time.

3. ZSL will adopt Client Due Diligence (CDD)/ Anti Money Laundering (AML) standards specified by SEBI

Obligation to establish policies and procedures

4. ZSL will establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing.

5. 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.

6. Financial groups shall be required to implement group wide programmes for dealing with ML/TF, which shall be applicable, and appropriate to, all branches and majority owned subsidiaries of the financial group as under:

- a. policies and procedures for sharing information required for the purposes of CDD and ML/TF risk management;
- b. the provision, at group level compliance, audit, and/or AML/CFT functions, of customer, account, and transaction information from branches and subsidiaries when necessary for AML/CFT purposes. This shall include information and analysis of transactions or activities which appear unusual (if such analysis was done); similar provisions for receipt of such information by branches and subsidiaries from these group level functions when relevant and appropriate to risk management; and
- c. adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.

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

8. Policies and procedures to combat ML and TF shall cover:

- i. 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;
 - ii. Client acceptance policy and client due diligence measures, including requirements for proper identification;
 - iii. Maintenance of records;
 - iv. Compliance with relevant statutory and regulatory requirements;
 - v. Co-operation with the relevant law enforcement authorities, including the timely disclosure of information;
 - vi. 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; and,
 - vii. 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.
- However ZSL do not have any subsidiaries and not in any financial group.

Written Anti Money Laundering Procedures

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

- i) Policy for acceptance of clients
- ii) Procedure for identifying the clients
- iii) Risk Management
- iv) Monitoring of Transactions

Client Due Diligence (CDD)

10. ZSL carries out Client Due Diligence on its clients using reliable and independent sources of identification.

11. The CDD on the clients with regards to the money laundering and terrorist financing risks includes policies, controls and procedures, approved by the senior management, to enable to manage and mitigate the risk that have been identified by the ZSL.

12. The CDD measures at ZSL shall comprise the following:

- i) Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, ZSL shall identify the natural person or persons who ultimately own, control or influence the client.
- ii) ZSL shall Identify the clients, by verifying their identity using reliable and independent sources of identification, obtain information on the purpose and intended nature of the business relationship, where applicable;
- iii) If the client purports to act on behalf of juridical person or individual or trust, then ZSL shall verify whether that person purporting to act on behalf of such client is so authorized and verify the identity of that person;

In case of a Trust, ZSL shall ensure that trustees disclose their status at the time of opening of a Trading or Demat account

- iv) ZSL shall identify beneficial ownership and control, i.e. determining which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted. The beneficial owner shall be determined as under-

a) where the client is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means.

Explanation:- For the purpose of this sub-clause:-

- i. "Controlling ownership interest" means ownership of or entitlement to more than 10% of shares or capital or profits of the company;
- ii. "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders' agreements or voting agreements;

b) where the client is a partnership firm, the beneficial owner is the natural person(s) who, whether acting alone or together, or through one or more juridical person, has ownership of/ entitlement to more than 10% of capital or profits of the partnership or who exercises control through other means.

Explanation:- For the purpose of this clause:-

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

c) where the client is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than 15% of the property or capital or profits of such association or body of individuals;

d) where no natural person is identified under (a) or (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;

e) Where the client is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 10% or more interest in the trust, settlor, protector and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership; and

f) where the client or the owner of the controlling interest is an entity listed on a stock exchange in India, or it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions notified by the Central Government, or it is a subsidiary of such listed entities, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such entities.

g) Applicability for foreign investors: ZSL while dealing with foreign investors' may be guided by SEBI Master Circular SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19, 2022 and amendments thereto, if any, for the purpose of identification of beneficial ownership of the client;

h). Monitoring of compliance

The compliance of the aforementioned provision on identification of beneficial ownership shall be monitored by the MD/Director of ZSL

v) Verifying the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (iii).

vi) ZSL shall understand the nature of business, ownership and control structure of the client.

vii) ZSL shall conduct 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 clients profile, its business and risk profile, taking into account, the client's source of funds wherever necessary.

viii) ZSL shall review the due diligence measures including verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship, as the case may be, when there are suspicions of money laundering or financing of the activities relating to terrorism or where there are doubts about the adequacy or veracity of previously obtained client identification data. ZSL shall carry out Re-KYC for the existing clients within a period of Ten years.

ix) ZSL shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process such that the information or data collected under client due diligence is kept up-to-date and relevant, particularly for high risk clients wherever necessary.

x) ZSL 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 the client and the ZSL has ended or the account has been closed, whichever is later.

xi) Where ZSL is suspicious that transactions relate to money laundering or terrorist financing, and reasonably believes that performing the CDD process will tip-off the client, the ZSL shall not pursue the CDD process, and shall instead file a STR with FIU-IND.

13.No transaction or account-based relationship shall be undertaken without following the CDD procedure

Policy for acceptance of clients

14. ZSL shall follow the following safeguards while accepting the clients.

i.) ZSL shall not allow the opening of or keep any anonymous account or account in fictitious names or account on behalf of 'other persons whose identity has not been disclosed or cannot be verified;

ii) ZSL shall classify clients into low, medium and high risk factors depending on the clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken.

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

a) Non - resident clients;

b) High net-worth clients;

c) Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations;

d) Companies having close family shareholdings or beneficial ownership;

e) Politically Exposed Persons (PEPs)

f) Clients in high risk countries. While dealing with clients from or situated in high risk countries or geographic areas or when providing delivery of services to clients through high risk countries or geographic areas i.e. places where existence or effectiveness of action against money laundering or terror financing is suspected, ZSL apart from being guided by the FATF statements that inter alia identify such countries or geographic areas that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatfgafi.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. ZSL shall specifically apply EDD measures, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF;

g) Non face to face clients - Non face to face clients means clients who open accounts without visiting the branches/offices of ZSL or meeting the officials of the ZSL. Video based customer identification process is treated as face-to-face onboarding of clients;

h) Clients with dubious reputation as per public information available etc.

iv) Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.

v) ZSL shall ensure that an account is not opened where ZSL is unable to apply appropriate CDD measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to ZSL is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. ZSL shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. ZSL shall be cautious to ensure that we do not return securities of money that may be from suspicious trades. However, ZSL shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.

vi) ZSL shall laid down the circumstances under which the client is permitted to act on behalf of another person / entity. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with ZSL, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.

vii) Necessary checks and balance to be put into place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide

viii) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

Client identification procedure:

15. The KYC policy clearly spells out the client identification procedure to be carried out at different stages i.e. while establishing the client relationship, while carrying out transactions for the client or when ZSL has doubts regarding the veracity or the adequacy of previously obtained client identification data.

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

i) ZSL shall proactively put in place appropriate risk management systems to determine whether its existing 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.

ii) Senior management approval would be obtained 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, ZSL shall obtain approval from MD/Director to continue the business relationship.

iii) ZSL shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.

iv) ZSL shall identify the client by using reliable sources including documents / information. ZSL shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.

v) ZSL shall verify each original document prior to acceptance of a copy.

vi) Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority (Principal Officer) within ZSL

17. SEBI has prescribed the minimum requirements relating to KYC from time to time. 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, ZSL shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices.

18. Further, ZSL 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 there under so that the ZSL is aware of the clients on whose behalf it is dealing.

19. ZSL shall formulate and implement a CIP which shall incorporate the requirements of the PML Rules Notification No. 9/2005 dated July 01, 2005 (as amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients and such other additional requirements that is considered appropriate to enable ZSL to determine the true identity of its clients irrespective of the amount of investment made by clients, ZSL shall carry out CDD measures which shall be strictly implemented by ZSL.

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

20. ZSL may rely on a third party for the purpose of

i) Identification and verification of the identity of a client and

ii) 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. **However ZSL is not relying on third party to carry out CDD.**

Risk Management

Risk-based Approach:

21. ZSL shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and has policies approved by their senior management, controls and procedures in this regard. Further, ZSL shall monitor the implementation of the controls and enhance them if necessary.

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

23. 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

Risk Assessment

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

25. The risk assessment carried out considers 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 is analysed regularly as and when required.

Classification of Clients-

Clients are categorized on various groups like client's location (registered office address, correspondence addresses and other address if any applicable, nature of business activity, trading turnover etc and manner of making payment for transactions undertaken. Broadly speaking clients can be specified in following three categories

Low risk clients:

Low risk client includes clients who satisfy following criteria, one who provides all documents at the time of account opening without any delay

- Resident of India
- Proofs verified with originals
- Provides income proof
- Providing two or more references
- No delegation of authority for operation of account
- Always provide securities and funds in time
- Places order within reasonable period of time
- Turnover in line with Financials.

Grouping Parameters

Remarks	Risk Category
1. Low Turnover with Financial Income	Low
2. Govt Employees	Low
3. House Wife	Low
4. Retired Employees	Low
5. Agriculture	Low

Medium risk client:

Any client who cannot be comfortably placed in neither in Low risk nor in high risk category.

Grouping Parameters

Remarks	Risk Category
1. Brokerage Firm Employees	Medium

High risk client:

Includes all clients mentioned under Special category of clients and any client against whom any order is passed by regulatory authorities or any investigation is launched which is pending Any client against whom any regulatory order is passed for accessing market then such client will automatically be black listed and no further trading should be done for those accounts.

Grouping Parameters

Remarks	Risk Category
1. Very High Turnover with Low financial income	High
2. Any large activity in Dormant Account.	High
3. Large number of off market transfers in his beneficiary a/c.	High
4. Suspicious Trades	High
5. Client is having suspicious background or link with known criminals	High
6. Clients whose identity verification seems difficult	High
7. Clients appears not to co-operate	High
8. Any account used for circular trading	High

Clients of special category (CSC)

Such clients shall include the following:

- a) Non - resident clients
- b) High net-worth clients,
- c) Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
- d) Companies having close family shareholdings or beneficial ownership
- e) Politically Exposed Persons (PEP) are individuals who are or have been entrusted with prominent public functions 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 policy shall also be applied to the accounts of the family members or close relatives of PEPs.
- f) Companies offering foreign exchange offerings
- g) Clients in high risk countries where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production, countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, countries against which government sanctions are applied, countries reputed to be any of the following – Havens/ sponsors of international terrorism, offshore financial centres, tax havens, countries where fraud is highly prevalent. While dealing with clients in high risk countries where the existence/effectiveness of money laundering control is suspect, ZSL shall apart from being guided by 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), also independently access and consider other publicly available information.
- h) Non face to face clients
- i) Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and the ZSL shall exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.

26. ZSL shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and existing products.

ZSL shall ensure:

- a. To undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and
- b. Adoption of a risk based approach to manage and mitigate the risks.

27. The risk assessment also takes into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions.

Monitoring of transactions

28. ZSL monitors transactions regularly for ensuring effectiveness of the AML procedures.

29. ZSL pays special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. ZSL specifies internal threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits. The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof is examined carefully and findings recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/stock exchanges/FIUIND/ other relevant Authorities, during audit, inspection or as and when required.

These records will be maintained and preserved for a period of eight years from the date of transaction between the clients and ZSL.

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

31. ZSL 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 (Director) within ZSL.

32. Further, the compliance cell of ZSL 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.

The Alerts are generated internally once in 15 days. All regulatory alerts generated by shall be monitored by the Principal Officer for necessary action to be taken. DP shall follow the defined SOP for processing of the alerts (Surveillance policy).

Suspicious Transaction Monitoring and Reporting

33. ZSL 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, ZSL shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

34. ZSL considers the following for STR generating:

- i) Clients whose identity verification seems difficult or clients that appear not to cooperate
- ii) Clients based in high risk jurisdictions;
- iii) Substantial increases in business without apparent cause;
- iv) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- v) Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services.

35. Any suspicious transaction shall be immediately notified to the MD/Director/Principal Officer or any other designated officer within ZSL.. 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 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.

36. 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 ZSL shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

37. Paragraph 18(iii)(f) of this policy 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'. 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.

Record Management

Information to be maintained

38. ZSL will maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

- i. the nature of the transactions;
- ii. the amount of the transaction and the currency in which it is denominated;

- iii. the date on which the transaction was conducted; and
- iv. the parties to the transaction.

Record Keeping

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

40. ZSL 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 behaviour.

41. Should there be any suspected drug related or other 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, ZSL shall retain the following information for the accounts of their clients in order 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:
 - a. the origin of the funds
 - b. the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
 - c. the identity of the person undertaking the transaction;
 - d. the destination of the funds;
 - e. the form of instruction and authority.

42. ZSL 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, ZSL shall retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed there-under PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

43. More specifically, ZSL 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;

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

- iii) 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;

all suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into or from any non-monetary account such as demat account, security account maintained by the ZSL. However ZSL do not accept cash from its clients

44. If ZSL does not have records of the identity of its existing clients, it shall obtain the records forthwith, failing which the ZSL shall close the account of the clients after giving due notice to the client.

Explanation: For this purpose, the expression "records of the identity of clients" shall include updated records of the identification date, account files and business correspondence and result of any analysis undertaken under Rules 3 and 9 of the PML Rules.

Retention of Records

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

46. As stated in sub-section 2.2.5, ZSL is required to formulate and implement the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. Records evidencing the identity of its 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 between the clients and ZSL has ended or the account has been closed, whichever is later.

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

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

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

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

50. 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). Corrigendums dated March 15, 2023 and April 22, 2024 have also been issued in this regard (Annexure 3) and (Annexure 4). The list of Nodal Officers for UAPA is available on the website of MHA.

Procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 – Directions to stock exchanges and registered intermediaries

51. The Government of India, Ministry of Finance has issued an order dated January 30, 2023 vide F. No. P-12011/14/2022-ES Cell-DOR (“the Order”) detailing the procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (“WMD Act”). The Order may be accessed by clicking on [DoR_Section_12A_WMD.pdf](#).

52. In terms of Section 12A of the WMD Act, the Central Government is empowered as under:

“(2) For prevention of financing by any person of any activity which is prohibited under the WMD Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems, the Central Government shall have power to—

- (a) Freeze, seize or attach funds or other financial assets or economic resources—
(i) owned or controlled, wholly or jointly, directly or indirectly, by such person; or
(ii) held by or on behalf of, or at the direction of, such person; or
(iii) derived or generated from the funds or other assets owned or controlled, directly or indirectly, by such person;
(b) prohibit any person from making funds, financial assets or economic resources or related services available for the benefit of persons related to any activity which is prohibited under the WMD Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems.

(3) The Central Government may exercise its powers under this section through any authority who has been assigned the power under sub-section (1) of section 7.”

53. ZSL will comply with the procedure laid down in the said Order.

54. ZSL shall:

- (i) Maintain the list of individuals/entities (“**Designated List**”) and update it, without delay, in terms of paragraph 2.1 of the Order;
- (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, ZSL shall not carry out such transaction and shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the Central Nodal Officer (“CNO”), without delay. The details of the CNO are as under:

The Director

FIU-INDIA

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

Email: dir@fiuindia.gov.in

(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, ZSL 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, mentioned in paragraphs 59(ii) and 59(iii) above, without delay, to the Nodal Officer of SEBI. The communication shall be sent to SEBI through post and through email (sebi_uapa@sebi.gov.in) to the Nodal Officer of SEBI, Deputy General Manager, Division of FATF, Market Intermediaries Regulation and Supervision Department, Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C7, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051;

(v) prevent such individual/entity from conducting financial transactions, under intimation to the CNO, without delay, in case there are reasons to believe beyond doubt that funds or assets held by a client would fall under the purview of Section 12A (2)(a) or Section 12A(2)(b) of the WMD Act;

(vi) file a Suspicious Transaction Report (STR) with the FIU-IND covering all transactions in the accounts, covered under paragraphs 59(ii) and (iii) above, carried through or attempted through.

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

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

List of Designated Individuals/ Entities

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

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

59. An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <https://press.un.org/en/content/press-release>. The details of the lists are as under:

i. The "ISIL (Da'esh) & Al-Qaida Sanctions List", which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al-Qaida Sanctions List is available at:

<https://www.un.org/securitycouncil/sanctions/1267/press-releases> ;

ii. The list issued by United Security Council Resolutions 1718 of designated Individuals and Entities linked to Democratic People's Republic of Korea

www.un.org/securitycouncil/sanctions/1718/press-releases.

60. ZSL will ensure that accounts are not opened in the name of anyone whose name appears in said list. ZSL 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.

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

62. ZSL shall leverage latest technological innovations and tools for effective implementation of name screening to meet the sanctions requirements.

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

64. 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.

65. ZSL 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.

Jurisdictions that do not or insufficiently apply the FATF Recommendations

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

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

Reporting to Financial Intelligence Unit-India

68. In terms of the PML Rules, ZSL will report information relating to cash and suspicious transactions to the Director,

Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND,
Financial Intelligence Unit - India
6th Floor, Tower-2, Jeevan Bharati Building,
Connaught Place, New Delhi-110001, INDIA
Telephone : 91-11-23314429, 23314459
91-11-23319793(Helpdesk) Email:helpdesk@fiuindia.gov.in
(For FINnet and general queries)
ctrcell@fiuindia.gov.in
(For Reporting Entity / Principal Officer registration related queries)
complaints@fiuindia.gov.in
Website: <http://fiuindia.gov.in>

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

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, ZSL shall adhere to the following:

- i. The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month;
- ii. The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall on being satisfied that the transaction is suspicious, furnish the information promptly in writing by fax or by electronic mail to the Director in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 of the PML Rules. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion;
- iii. The Non Profit Organization Transaction Reports (NTRs) for each shall be submitted to FIU-IND by 15th of the succeeding month;
- iv. The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;
- v. Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND;
- vi. No NIL reporting needs to be made to FIU-IND in case there are no cash/suspicious/non-profit organization transactions to be reported;
- vii. “Non-profit organization” means any entity or organisation, constituted for religious or charitable purposes referred to in clause (15) of section 2 of the Income-tax Act, 1961 (43 of 1961), that is registered as a trust or a society under the Societies Registration Act, 1860 (21 of 1860) or any similar State legislation or a Company registered under the section 8 of the Companies Act, 2013 (18 of 2013);
- viii. ZSL, its Directors, officers and all employees shall ensure that the fact of maintenance referred to in Rule 3 of PML Rules and furnishing of information to the Director is kept confidential.
Provided that nothing in this rule shall inhibit sharing of information under Rule 3A of PML Rules of any analysis of transactions and activities which appear unusual, if any such analysis has been done.

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

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

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

Confidentiality requirement does not inhibit information sharing among entities in the group.

Designation of officers for ensuring compliance with provisions of PMLA

71 Appointment of a Principal Officer: To ensure that ZSL properly discharges its 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.

Ms Anasuya Sahu, who is the General Manager of ZSL was appointed as Principal Officer. The details of her appointment has been intimated to the Financial Intelligence Unit, India (FIU - IND)

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

72. Appointment of a Designated Director: In addition to the existing requirement of designation of a Principal Officer, ZSL shall also designate a person as a 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules, the definition of a Designated Director reads as under:

"Designated director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes –

- a) the Managing Director or a Whole-Time Director duly authorized by the Board of Directors if the reporting entity is a company,
- b) the managing partner if the reporting entity is a partnership firm,
- c) the proprietor if the reporting entity is a proprietorship firm,
- d) the managing trustee if the reporting entity is a trust,
- e) a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and
- f) such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above."

Mr. Pratap Kantheti was appointed as Designated Director of ZSL. The details of appointment of Mr. Pratap Kantheti as Designated Director has been intimated to the FIU-IND.

73. In terms of Section 13 (2) of the PMLA, the Director, FIU – IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of ZSL to comply with any of its AML/CFT obligations.

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

Hiring and Training of Employee's and Investor Education

75. Hiring of Employees: ZSL has adequate screening procedures in place to ensure high standards when hiring employees. They shall identify the key positions within its own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

76. Training of Employees: ZSL has an ongoing employee training programme so that the members of the staff are adequately made aware of procedures of PMLA guidelines. Training requirements has specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients. Every employee inter-alia, shall be made aware of Anti Money Laundering and CFT Procedures during training. At the time of joining firm no candidate is selected who has ever been convicted of offence under Money Laundering Act or any other civil or criminal Act.

Periodical branch/investor awareness programmes is conducted to ,inter-alia, bring to the knowledge of the branch staff/ investors about the importance and need of PMLA guidelines

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

Repeal and Savings

78. On and from the issue of this Circular, the circulars listed out in the Appendix to this Circular shall stand rescinded. Notwithstanding such rescission, anything done or any action taken or purported to have been done or taken, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular.

79. Other principles

ZSL shall ensure the following:

- a) ZSL shall ensure that the content of these Directives are understood by all staff members
- c) ZSL will regularly review the policies and procedures on the prevention of ML and TF on an annual basis to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures
- d) ZSL will adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF
- e) ZSL will 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) ZSL have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities;

This revised policy was approved at the Board meeting of Zen Securities Limited held on 24.08.2024.

Updated and Checked by = Anasuya Sahu

Approved by = Sri Pratap Kantheti

Date = 24.08.2024.