

COMPREHENSIVE POLICY FRAMEWORK ON ANTI-MONEY LAUNDERING (AML), COUNTERING THE FINANCING OF TERRORISM (CFT) & COMBATING PROLIFERATION FINANCING (CPF)

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Implementation Date: 1st April 2026

Review Cycle: Annual (or upon dynamic regulatory modification)

Approved By: Board of Directors, Shree Naman Securities & Finance Pvt. Ltd.

1. Statutory Framework & Institutional Scope

1.1 Legislative Enactments

This Master Policy establishes the mandatory standard operating procedures for **Shree Naman Securities & Finance Pvt. Ltd.** (hereinafter referred to as "the Intermediary") to ensure absolute compliance with:

- The **Prevention of Money Laundering Act, 2002 (PMLA)** (Sections 12 and 12A).
- The **Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PMLR)** (as amended).
- The **SEBI (Stock Brokers) Regulations, 2026**, which govern internal audits, technology mandates, and risk management parameters.
- The **Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (WMDA)**, governing proliferation financing bans.

1.2 Institutional Scope

This policy is functionally binding across all operational divisions of the Intermediary, including the corporate head office at **210, Shree Naman Plaza, S.V. Road, Kandivali (W), Mumbai - 400067**, all branch locations, authorized sub-brokers, digital customer onboarding channels, and clearing infrastructure.

2. Restructured Corporate Governance Architecture

To eliminate institutional conflicts of interest and comply with current regulatory standards, the senior management completely separates operational business generation from compliance oversight.

2.1 Designated Director

- **Residency Mandate:** The Board of Directors shall nominate a Designated Director who must be a resident of India, spending a minimum of **182 days** in the country during the active financial year.
- **Statutory Role:** The Designated Director ensures the institutional provision of infrastructure, technological budgets, and automated software necessary to sustain compliance workflows.

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- **Regulatory Liability:** In terms of Section 13(2) of the PMLA, the Designated Director maintains ultimate legal accountability for institutional failures and is subject to direct statutory penalties levied by FIU-IND or SEBI.

2.2 Principal Officer

- **Operational Independence:** The Board shall appoint a dedicated Principal Officer who must be a senior management executive operating on a full-time, exclusive basis. This individual is strictly barred from holding concurrent commercial roles (such as managing the proprietary trading desk or business development).
- **Core Responsibilities:** The Principal Officer acts as the exclusive central reference point for alert triage, evaluation of suspicious activities, and formal submission of reports to the Financial Intelligence Unit - India (FIU-IND).

3. Customer Due Diligence (CDD) & Digitized Onboarding Workflows

3.1 Mandatory Digital Onboarding Protocols

Every retail account must be onboarded through a standardized digital application processing pipeline. The following parameters are mandatory prior to account activation:

1. **Programmatic PAN Verification:** Permanent Account Numbers (PAN) must be validated in real-time via secure API links against the Central Board of Direct Taxes (CBDT) database.
2. **Aadhaar e-KYC & Liveness Integration:** Digital verification must utilize secure Aadhaar e-KYC data channels. The client-facing software must incorporate an automated **Liveness Detection System**. The system must capture an unalterable user selfie embedded with active latitudinal/longitudinal geo-coordinates, a secure network time-stamp, and the client's originating static IP address.
3. **Programmatic Penny-Drop Validation:** The client's bank account status must be validated via an automated penny-drop mechanism to verify matching legal name records before active trading limits are provisioned.
4. **Economic Baseline Mapping:** The Intermediary must collect and document explicit occupational details and standardized income slabs to establish a verified financial footprint for transaction monitoring.

3.2 Identification of Ultimate Beneficial Ownership (UBO)

For non-individual entity structures, the Intermediary must look through the legal shell to identify the natural persons holding ultimate ownership or executive control, as mandated under Rule 9(3) of the PMLR:

- **Corporate Clients:** Natural persons who ultimately own or control more than **10%** of the shares, capital, or profits of the company.

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- **Partnership Firms:** Natural persons who maintain ownership or entitlement to more than **10%** of the entire partnership capital or profit distribution.
- **Unincorporated Associations / Body of Individuals:** Natural persons holding more than **15%** of the underlying property, capital, or profits.
- **Trust Structures:** Identification of the regular identity metrics for the settlor, trustees, protector, beneficiaries with a **10%** or greater interest, and any other natural person exercising ultimate effective control over the trust.

4. Comprehensive Risk-Based Approach (RBA)

The Intermediary applies a strict Risk-Based Approach, programmatically categorizing accounts during onboarding based on demographic, geographic, asset, and occupational risk profiles.

4.1 Risk Profiling Matrix

Risk Category	Core Classification Parameters
Low Risk	Local retail investors with local tax footprints, salaried individuals, and publicly listed companies with clear ownership.
Medium Risk	High-Net-Worth Individuals (HNIs), closely held private companies, and Non-Resident Indians (NRIs) operating via verified banking links.
High Risk	Politically Exposed Persons (PEPs), accounts originating from uncooperative jurisdictions, complex offshore trusts, and unlisted NGOs.

4.2 Clients of Special Category (CSC)

Enhanced Due Diligence (EDD) and mandatory prior senior management approval are required before opening accounts for the following high-risk profiles:

- **Politically Exposed Persons (PEPs):** Individuals entrusted with prominent public functions by foreign or domestic states, including heads of state, senior politicians, military/judicial officials, senior executives of state-owned corporations, and their immediate family members or close associates.
- **Unlisted Corporate Entities:** Entities where the structural shareholding is tightly held by close family groups or complex offshore networks.

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- **Charities, Non-Governmental Organizations (NGOs), and Trusts:** Entities must demonstrate valid registration on the NITI Aayog DARPAN Portal or certification under the Foreign Contribution (Regulation) Act (FCRA).
- **High-Risk Jurisdictions:** Clients from or connected to countries identified by the Financial Action Task Force (FATF) as having strategic deficiencies or high levels of corruption.

5. Bank/Demat Account Governance & Absolute Cash Prohibition

5.1 Absolute Prohibition of Cash Inflows

In strict compliance with modern SEBI frameworks, the Intermediary enforces a **zero-tolerance cash policy**. The trading system is programmatically barred from accepting counter cash, cash deposits into corporate bank accounts, physical cash instruments, or anonymous third-party deposits. All funds must originate exclusively from the client's verified, linked bank account.

5.2 Naming and Daily Exchange Disclosures

- **Operational Account Tagging:** Every bank account maintained by the Intermediary must be explicitly named and tagged within clearing mechanisms according to its exact functional role (e.g., "Client Account" vs. "Proprietary Account").
- **Streamlined Exchange Reporting:** To ensure transaction transparency, daily and weekly reporting to the stock exchanges focuses primarily on operational **Bank Accounts** to actively monitor client fund trails, minimizing administrative reporting of structural Demat accounts.
- **Segregation of Capital:** Proprietary trading desks must operate through distinct, segregated bank and Demat accounts to prevent any co-mingling with client capital.

5.3 Algorithmic and API Trading Controls

- **Unique Strategy IDs:** Every programmatic or algorithmic trade routed through the Intermediary's API servers must be tagged with an exchange-approved Unique Strategy ID.
- **Network Restrictions:** Automated trading connections are restricted to verified, pre-registered **Static IP addresses** and must require secure OAuth multi-factor authentication (2FA).

6. Algorithmic Transaction Monitoring & Surveillance

The Intermediary maintains an automated transaction monitoring platform that analyzes trading behavior against the client's established economic baseline.

6.1 Automated Surveillance Alert Typologies

The system triggers automated alerts for further investigation by the compliance team upon detecting any of the following activities:

- **Synchronized Trading and Reversals:** Matching buy and sell transactions executed between specific accounts in illiquid scrips, penny stocks, or derivative options contracts, which appear to have no economic rationale other than transferring profits or losses for tax manipulation.
- **Dormancy Spikes:** Accounts that show a sudden, massive increase in trading volume or contract exposure after a prolonged period of dormancy, inconsistent with their declared net worth.
- **Rapid Allocation Changes:** Repeated requests to change or link multiple distinct third-party bank accounts within a short period.

6.2 Investigation and Triage Workflow

1. **Alert Generation:** Flags are compiled in the compliance dashboard for systematic review.
2. **Fact-Finding Scrutiny:** The Principal Officer reviews the transaction history and may require the client to provide formal documentation verifying the legitimate source of funds or wealth.
3. **Resolution:** If supported by valid documentation, the alert is logged and closed. If the activity lacks a transparent economic purpose, it is escalated directly for Suspicious Transaction Reporting.

7. Mandatory Statutory Reporting to FIU-IND

All regulatory submissions must be transmitted securely in digital format through the online **FINgate Portal** using the prescribed reporting schemas.

7.1 Prescribed Reporting Timelines

Report Nature	Statutory Filing Threshold / Trigger Criteria	Mandatory Deadline
Suspicious Transaction Report (STR)	Any attempted or executed trade—regardless of financial value—that reasonably appears to involve proceeds of crime, terrorist financing, or lacks an apparent economic purpose.	Filed within 7 days from the date the Principal Officer records a formal conclusion of suspicion.
Cross-Border Wire Transfer Report (CBWTR)	All international fund movements exceeding INR 5 Lakhs (or its foreign currency equivalent) routed into or out of client accounts.	Filed by the 15th day of the succeeding calendar month.

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Report Nature	Statutory Filing Threshold / Trigger Criteria	Mandatory Deadline
Cash Transaction Report (CTR)	All cash movements exceeding INR 10 Lakhs.	Not Applicable due to the firm's strict zero-cash operational ban.

7.2 Explicit Anti-Tipping-Off Mandate

In strict accordance with Section 54 of the PMLA, directors, compliance executives, and employees (whether permanent or temporary) are prohibited from disclosing ("tipping off") to the client or any third party that an account is under surveillance, an alert has been generated, or an STR is being prepared or submitted to FIU-IND. Any violation carries severe statutory criminal penalties under the Act.

8. Sanctions Compliance & Immediate Asset Freezing Protocols

8.1 Real-Time Database Screening

The Intermediary runs automated screening filters against all existing and prospective client names before account activation, and whenever updates are published, against the following official lists:

- The updated sanctions lists maintained under Section 51A of the **Unlawful Activities (Prevention) Act, 1967 (UAPA)**.
- The **Consolidated United Nations Security Council Sanctions List (UNSCL)**.
- Sanctions lists updated under **The Weapons of Mass Destruction Act, 2005 (WMDA)**.

8.2 Execution of Freezing Orders

If a confirmed match is identified within any sanctions database:

- The system will implement an immediate, automated freeze on all trading, clearing, and payout privileges, stopping all security transfers and fund outflows.
- The Principal Officer will submit a formal notification to the Ministry of Home Affairs (MHA), SEBI, and FIU-IND within **24 hours** of detection, following the procedures specified under the UAPA and WMDA frameworks.

9. Whistleblower Protections & Employee Training

9.1 Confidential Whistleblower Mechanism

To meet modern corporate governance standards, the Intermediary provides a secure, confidential internal reporting channel. Employees can utilize this path to report internal compliance deviations, operational

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irregularities, or potential collusion directly to the Principal Officer (or to the Board of Directors if the Principal Officer is implicated). The policy guarantees absolute anonymity and protection against professional retaliation.

9.2 Human Resources Screening and Training

- **Background Screening:** HR must perform reference checks and background verifications on all new hires, especially for key positions in risk management, compliance, surveillance, and front-line onboarding.
- **Mandatory Training:** The compliance team hosts mandatory training sessions twice a year to update frontline and back-office staff on evolving PMLA regulations, current market abuse typologies, and internal alert management workflows.

10. Eight (8) Year Record Preservation Mandate & Audits

10.1 Retention Timelines

In compliance with current SEBI regulations, the historical 5-year retention rule has been replaced by a mandatory **eight (8) year** preservation framework:

- **Transaction Records:** All ledger files, books of account, contract notes, and financial trails must be safely preserved in an unalterable electronic format for at least **8 years** from the date of the respective transaction.
- **Client Identification & Due Diligence Records:** All digital e-KYC logs, geo-stamped liveness data, beneficial ownership declarations, and business correspondence must be securely preserved for at least **8 years** following the formal closure of the client relationship.
- **Ongoing Investigations:** Where records relate to an active, ongoing investigation or an active STR dispute, all files must be preserved indefinitely until formal closure of the case is confirmed by regulatory authorities.

10.2 Independent Institutional Audit

The entire PMLA/AML/CFT/CPF compliance framework is subject to a mandatory, semi-annual audit conducted by an independent Chartered Accountant or external certified professional. The final audit findings, including alert performance metrics and systemic adequacy reviews, are presented directly to the Board of Directors and submitted electronically to the stock exchanges.

11. Institutional Approvals & Board Sign-Off

This policy framework is officially approved and enacted by the Board of Directors of **Shree Naman Securities & Finance Pvt. Ltd.** for systematic execution across all operational divisions.

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Role	Standard Sign-off Block	Date
Designated Director	Rajesh Desai (Resident Director) DIN: _____	1-APR-2026
Principal Officer	Paras Desai (Resident Director) PAN: ANEPD2625F	1-APR-2026