

PMLA POLICY

ADOPTED BY

Nakamichi Securities Limited

PMLA Policy reviewed on 11th August, 2018

MEMBER:- BSE / NSE / MSE

Depository Participant: NSDL

Policy framed based on Prevention of Money Laundering Act, 2002 and the Rules framed thereunder.

Judge (Subject)

Page -

11/8/18

11/8/18

10/11

NAKAMICHI SECURITIES LTD.

11/8/18

PMLA POLICY

NAKAMICHI SECURITIES LIMITED

NAKAMICHI SECURITIES LTD.

Sanjeet W Singh

Company Secretary & Compliance Officer

Objective –

NSL have designed this policy of PMLA and effective AML program to prohibit and actively prevent the money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities or flow of illegal money or hiding money to avoid paying taxes and to funding for terrorist 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. To discourage and identify any Money laundering or Terrorist financing Activities. To protect the interest of investors in securities and to promote the development of the securities market.

Overview

1. Introduction

The Directives as outlined below provide a general background and summary of the main provisions of the applicable anti-money laundering and anti-terrorist financing legislations in India. They also provide guidance on the practical implications of the Prevention of Money Laundering Act, 2002 (PMLA). The Directives also set out the steps that a registered intermediary or its representatives shall implement to discourage and to identify any money laundering or terrorist financing activities. The relevance and usefulness of these Directives will be kept under review and it may be necessary to issue amendments from time to time. These Directives are intended for use primarily by intermediaries registered under Section 12 of the Securities and Exchange Board of India Act, 1992 (SEBI Act). While it is recognized that a “one- size fits- all” approach may not be appropriate for the securities industry in India, each registered intermediary shall consider the specific nature of its business, organizational structure, type of clients and transactions, etc. when implementing the suggested measures and procedures to ensure that they are effectively applied. The overriding principle is that they shall be able to satisfy themselves that the measures taken by them are adequate, appropriate and abide by the spirit of such measures and the requirements as enshrined in the PMLA.

This policy provides a detailed Account of the procedures and obligations to be followed to ensure compliance with issues related to **KNOW YOUR CLIENT (KYC) Norms, ANTI MONEY LAUNDERING (AML), CLIENT DUE DILIGENCE (CDD) and COMBATING FINANCING OF TERRORISM (CFT)**. Policy specifies the need for Additional disclosures to be made by the clients to address concerns of Money Laundering and Suspicious transactions undertaken by clients and reporting to **FINANCE INTELLIGENT UNIT (FIU-IND)**. These policies are applicable to both Branch Clients and Head office Clients Operations and are reviewed from time to time.

2. Background

2.1 Anti Money laundering (AML) -SEBI had issue the guidelines on Anti Money Laundering standards vide their notification no. ISD/CIR/RR/AML/1/6 dated 18th January 2006 and vide letter no.ISD/CIR/RR/AML/2/6 dated 20th March 2006 had issue the obligation of intermediaries registered under section 12 of the Securities and Exchange Board of India Act, 1992. As per the SEBI guidelines, all intermediaries have been advice to ensure that proper policy frameworks are put in place as per the guidelines on Anti Money Laundering standards notify by SEBI

NAKAMICHI SECURITIES LTD.

Sanjeev Singh

Company Secretary & Compliance Officer

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

2.3 The Prevention of Money Laundering Act, 2002 (PMLA): The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July, 2005. Necessary Notifications / Rules under the said Act have been published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance, and Government of India.

3. What is Money Laundering?

Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/origins.

This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

4. Prevention of Money Laundering Act, 2002

Prevention of Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July 1, 2005.

The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including stock brokers and sub-brokers) to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU) – INDIA.

5. Financial Intelligence Unit (FIU) – INDIA

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

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

6. Implementation of this Policy

Mr. Sanjeet Kumar Singh will be the Principal Officer who will be responsible for

- Compliance of the provisions of the PMLA and AML Guidelines
- Act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions
- Ensure that NSL discharges its legal obligation to report suspicious transactions to the concerned authorities.

PMLA POLICY

NAKAMICHI SECURITIES LIMITED

NAKAMICHI SECURITIES LTD.

Sanjeet Kumar Singh

Company Secretary & Compliance Officer

7. Customer due Diligence Process

In line with the said Regulations following "Policies and Procedures" has been adopted.

The main aspect of this policy is the Customer Due Diligence and includes three specific parameters:

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

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, that party shall be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement verifying the client's identity using reliable, independent source documents, data or information.

Identifying beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted.

i. For clients other than individuals or trusts

Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, NSL shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

aa) The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

Explanation: Controlling ownership interest means ownership of/entitlement to:

- i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- iii. 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.

bb) In cases where there exists doubt under clause (aa) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through

PMLA POLICY

NAKAMICHI SECURITIES LTD.

Sanjeet W Singh

Company Secretary & Compliance Officer

NAKAMICHI SECURITIES LIMITED

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.

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

ii. For client which is a trust:

Where the client is a trust, NSL 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.

iii. Exemption in case of listed companies:

Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it will not be necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

iv. Applicability for foreign investors

While dealing with foreign investors, NSL will be guided by the clarifications issued vide SEBI circulars CIR/MIRSD/11/2012 dated September 5, 2012 and CIR/ MIRSD/ 07/ 2013 dated September 12, 2013, for the purpose of identification of beneficial ownership of the client.

Monitor of compliance

The compliance of the aforementioned provision on identification of beneficial ownership shall be monitored by the Board of Directors of NSL

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 (c).

Understanding the ownership and control structure of the client.

Conducting 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 NSL's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds

NSL shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process

PMLA POLICY

NAKAMICHI SECURITIES LIMITED

NAKAMICHI SECURITIES LTD.

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Policy for acceptance of clients:

The client acceptance policies and procedures of NSL is a part of the "NSL Client On boarding and Periodical Review Policy" and aims to identify the types of clients that are likely to pose a higher than average risk of ML or TF. By establishing such policies and procedures, NSL will be in a better position to apply client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction. In a nutshell, the following safeguards will be followed while accepting the clients:

- a) No account is opened in a fictitious / benami name or on an anonymous basis.
- b) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to 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. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.
- c) 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.
- d) Ensure that an account is not opened where NSL 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 NSL is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. NSL 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. NSL shall be cautious to ensure that we do not return securities of money that may be from suspicious trades. However, NSL shall consult therelevant authorities in determining what action it shall take when it suspects suspicious trading.
- e) The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. 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 NSL, 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.
- f) 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
- g) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

NAKAMICHI SECURITIES LTD.

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Risk-based Approach:

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, NSL shall apply each of the clients due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that NSL 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 NSL shall obtain necessarily depend on the risk category of a particular client.

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

Policy for due diligence measures on a risk sensitive basis is a part of the "NSL Client On boarding and Periodical Review Policy"

Risk Assessment

a) NSL 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. The risk assessment shall also take into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions. These can be accessed at the URL

http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and

<http://www.un.org/sc/committees/1988/list.shtml>

Policy for risk assessment and categorization is a part of the "NSL Client On boarding and Periodical Review Policy"

b) The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The assessment shall be documented, updated regularly and made available to competent authorities and self-regulating bodies, as and when required.

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

PMLA POLICY

NAKAMICHI SECURITIES LIMITED

NAKAMICHI SECURITIES LTD.

Sanjeet Kumar Singh

Company Secretary & Compliance Officer

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 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 centers, 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, NSL 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 NSL shall exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.

Client identification procedure:

The KYC policy shall clearly spell 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 NSL has doubts regarding the veracity or the adequacy of previously obtained client identification data. NSL shall be in compliance with the following requirements while putting in place a Client Identification Procedure (CIP):

a) NSL 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. Further, the enhanced CDD measures as outlined shall also be applicable where the beneficial owner of a client is a PEP.

b) 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, NSL shall obtain approval from Director to continue the business relationship.

NAKAMICHI SECURITIES LTD.

PMLA POLICY

Sanjeet Iyer Singh
Company Secretary & Compliance Officer

NAKAMICHI SECURITIES LIMITED

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

d) The client shall be identified by NSL by using reliable sources including documents / information. NSL shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.

e) The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by NSL in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.

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

The NSL KYC policy is a part of the "NSL Client On boarding and Periodical Review Policy"

2.2.5.2 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, NSL shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices. Further, NSL shall conduct ongoing due diligence where it notices inconsistencies in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued thereunder so that the NSL is aware of the clients on whose behalf it is dealing.

2.2.5.3 NSL 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 NSL to determine the true identity of its clients.

The NSL CIP is a part of the "NSL Client On boarding and Periodical Review Policy"

2.2.5.4 It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to NSL from obtaining the minimum information/documents from clients as stipulated in the PML Rules/ SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients. In other words, there shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures by NSL. This shall be strictly implemented by NSL.

PMLA POLICY

NAKAMICHI SECURITIES LIMITED

NAKAMICHI SECURITIES LTD.

Sanjeet W Singh

Company Secretary & Compliance Officer

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

2.2.6.1 NSL may rely on a third party for the purpose of

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

b) Determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.

2.2.6.2 Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. Further, it is clarified that NSL shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

New Amendment

Further as required by Govt Notification dated June 01 2017 which forms part of Client Identification Procedure and therefore it is advised that every reporting entity should collect and update the Aadhar Number of Clients and ensure collection of Aadhar Numbers for existing as well as new Clients registered. Aadhar Numbers to be collected in the following for Different category:-

For Individual client - Self attested copy of Aadhaar Card of an individual.

For HUF - Self attested Copy of Aadhaar card of Karta.

For Body Corporates - Self attested Copy of Aadhaar card of all Directors
and Authorized Signatory.

For Partnership Firms- Self attested Copy of Aadhaar card of all Partners.

NAKAMICHI SECURITIES LTD.

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Suspicious Transaction Identification & Reporting

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

What is a Suspicious Transaction: Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or Appears to be made in circumstance of unusual or unjustified complexity; or Appears to have no economic rationale or bona fide purpose

Reasons for Suspicious:

- Identity of client:- False identification documents/ Identification documents which could not be verified within reasonable time/Non face to face client/Clients in high risk jurisdiction/Doubt over the real beneficiary of the account/Accounts opened with names very close to other established business entities/Receipt back of well come kit undelivered at the address given by the client
- Suspicious Background:-Suspicious background or links with criminals
- Multiple Accounts:- Large number of accounts having a common parameters such as common partners / directors / promoters / address/ email address / telephone numbers introducer or authorized signatory and Unexplained transfers between such multiple accounts.
- Activity In Accounts:-Unusual activity compared to past transactions/ Use of different accounts by client alternatively/ Sudden activity in dormant accounts/ Activity inconsistent with what would be expected from declared business /Account used for circular trading
- Nature Of Transactions:- Unusual or unjustified complexity/ No economic rationale or bonafied purpose/ Source of funds are doubtful/ Appears to be case of insider trading/ Purchases made on own account transferred to a third party through an off market transactions through DP account/ Transactions reflect likely market manipulations/ Suspicious off market transactions
- Value Of Transactions:-Value just under the reporting threshold amount in an apparent attempt to avoid reporting/ Large sums being transferred from overseas for making payments/ Inconsistent with the clients apparent financial standing/Inconsistency in the payment pattern by client/ Block deal which is not at market price or prices appear to be artificially inflated/deflated.

What to Report

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

Risk-based Approach

We should accept the clients based on the risk they are likely to pose. The aim is to identify clients who are likely to pose a higher than average risk of money laundering or terrorist financing. For this purpose, we need to classify the clients as Low risk, medium risk and high risk clients. By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high risk

PMLA POLICY

NAKAMICHI SECURITIES LIMITED

NAKAMICHI SECURITIES LTD.

Sanjeev W Singh

Company Secretary & Compliance Officer

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

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

- Category A Low Risk
- Category B Medium Risk
- Category C High risk

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

Category B clients are those who are intra-day clients or speculative clients. These are the clients who maintain running account with NAKAMICHI SECURITIES LIMITED.

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

We have to be careful while monitoring the transactions of B and C category clients.

Apart from this we need to exercise extra caution while monitoring the transactions of

NRI/NRE/PIO and foreign clients, especially when the payment is being made in foreign currency. Any change in the risk profile of the client/mandate holder, has to be ascertained by the concerned branch officials, and reported to the Business Head immediately.

Clients of special category (CSC):

Such clients include the following:-

- Non resident clients
- High Networth clients,
- Trust, Charities, NGOs and organizations receiving donations
- Companies having close family shareholdings or beneficial ownership
- Politically exposed persons (PEP) of foreign origin
- Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)
- Companies offering foreign exchange offerings
- 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,

PMLA POLICY

NAKAMICHI SECURITIES LTD. NAKAMICHI SECURITIES LIMITED

Sanjeet W Singh

Company Secretary & Compliance Officer

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 centers, tax havens, countries where fraud is highly prevalent.

- Non face to face clients
- Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and the NAKAMICHI SECURITIES LIMITED and principal officer should exercise independent judgment to ascertain whether new clients should be classified as CSC or not.

Record Keeping

The NAKAMICHI SECURITIES LIMITED should ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PML Act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

The NAKAMICHI SECURITIES LIMITED should maintain such records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behavior.

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, registered intermediaries should retain the following information for the accounts of their customers in order to maintain a satisfactory audit trail:

- The beneficial owner of the account;
- The volume of the funds flowing through the account; and
- For selected transactions:
 - The origin of the funds;
 - The form in which the funds were offered or withdrawn, e.g. cash, cheques, etc;
 - The identity of the person undertaking the transaction;
 - The destination of the funds;
 - The form of instruction and authority.

The NAKAMICHI SECURITIES LIMITED should ensure that all customer and transaction records and information are available on a timely basis to the competent investigating authorities. Where appropriate, they should consider retaining certain records, e.g. customer identification, account files, and business correspondence, for periods which may exceed that required under the SEBI Act, Rules and Regulations framed there-under PMLA 2002, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

PMLA POLICY

NAKAMICHI SECURITIES LIMITED

NAKAMICHI SECURITIES LTD.
Sanjeet K Singh
Company Secretary & Compliance Officer

The following information should be maintained in respect of transactions referred to in rule 3 of PMLA rules:

- i. The nature of transactions
- ii. The amount of transaction and the currency in which it is denominated
- iii. The date on which the transaction was conducted
- iv. The parties to the transaction.

Retention of Records

The following document retention terms should be followed:

All necessary records on transactions, both domestic and international, should be maintained at least for the of 5 years or such other period as prescribed under the relevant Act (PMLA, 2002 as well SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars.

The NAKAMICHI SECURITIES LIMITED shall maintain and preserve the record of documents evidencing the identity of its clients and beneficial owners (e.g., copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of five years after the business relationship between a client and The NAKAMICHI SECURITIES LIMITED has ended or the account has been closed, whichever is later

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

Records of information reported to the Director, Financial Intelligence Unit - India (FIU-IND):

The NAKAMICHI SECURITIES LIMITED shall maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, for a period of five years from the date of the transaction between the client and the NAKAMICHI SECURITIES LIMITED

Monitoring of transactions

Proper monitoring of transactions of the clients should be done thoroughly. Regular monitoring of transactions is vital for ensuring effectiveness of the Anti Money Laundering procedures. Normal activity of the client should be analyzed in order to ascertain the deviation in any trades done which is not normal.

Special attention should be given to all complex, unusually large transactions / patterns which appear to have no economic purpose. Internal parameter should be fixed for all the clients depending on their normal trade practice, income, creditworthiness, risk factor, reference etc. Any breach of parameter should be brought should be analyzed properly.

Transactions done by the clients should be scrutinized and proper clarification should be obtained for the alerts generated for any breach of parameter set by the NAKAMICHI SECURITIES LIMITED Alerts should be dropped only after getting proper and satisfactory clarification from the clients / his/ her dealer. In case of alerts for which satisfactory clarification is not received from the clients and which are of

PMLA POLICY

NAKAMICHI SECURITIES LTD.

Sanjeet W Singh

Company Secretary & Compliance Officer

NAKAMICHI SECURITIES LIMITED

suspicious in nature should be reported to the FIU-IND. These records are required to be maintained and preserved for period of five years from the date of transaction between the client and the NAKAMICHI SECURITIES LIMITED.

The NAKAMICHI SECURITIES LIMITED should ensure a record of transaction is preserved and maintained in terms of section 12 of the PMLA 2002 and that transaction of suspicious nature or any other transaction notified under section 12 of the act is reported to the appropriate law authority. Suspicious transactions should also be regularly reported to the higher authorities / head of the department.

Further the compliance cell of the NAKAMICHI SECURITIES LIMITED should randomly examine a selection of transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not.

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

Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of Section 51A of the UAPA.

Under the aforementioned Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism.

NSL shall ensure effective and expeditious implementation of the procedure laid down in the UAPA Order dated August 27, 2009 as listed below:

a) On receipt of the updated list of individuals/ entities subject to UN sanction measures (hereinafter referred to as 'list of designated individuals/ entities) from the Ministry of External Affairs (MHA)' and forwarded by SEBI, NSL shall take the followings steps:

i. NSL will maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order (referred to as designated individuals/entities) are holding any funds, financial assets or economic resources or related services held in the form of securities with them.

ii. In the event, particulars of any of customer/s match the particulars of designated individuals/entities, NSL shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of securities, held by such customer on their books to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at jsis@nic.in.

PMLA POLICY

NAKAMICHI SECURITIES LIMITED

NAKAMICHI SECURITIES LTD

Sanjeev W Singh

Company Secretary & Compliance Officer

- iii. NSL shall send the particulars of the communication mentioned in (ii) above through post/fax and through e-mail (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Officer on Special Duty, Integrated Surveillance Department, Securities and Exchange Board of India, SEBI Bhawan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 as well as the UAPA nodal officer of the state/UT where the account is held, as the case may be, and to FIU-IND.
- iv. In case the aforementioned details of any of the customers match the particulars of designated individuals/entities beyond doubt, NSL would prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No. 011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at jsis@nic.in.
- v. NSL shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph 2.9.2 (a) (ii) above carried through or attempted, as per the prescribed format.
- b) On receipt of the particulars as mentioned in paragraph 2.9.3 (a) (ii) above, IS-I Division of MHA would cause a verification to be conducted by the State Police and /or the Central Agencies so as to ensure that the individuals/ entities identified by NSL are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by NSL are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.
- c) In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND. The order shall take place without prior notice to the designated individuals/entities.
- d) Implementation of requests received from foreign countries under U.N. Securities Council Resolution 1373 of 2001.
- i. U.N. Security Council Resolution 1373 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly, by such persons and associated persons and entities.
- ii. To give effect to the requests of foreign countries under U.N. Security Council Resolution 1373, the Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the UAPA nodal officer for IS-I Division for freezing of funds or other assets.

NAKAMICHI SECURITIES LTD.

Sanjeet W Singh

Company Secretary & Compliance Officer

PMLA POLICY

NAKAMICHI SECURITIES LIMITED

iii. The UAPA nodal officer of IS-I Division of MHA, shall cause the request to be examined, within five working days so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be electronically forwarded to the nodal officer in SEBI. The proposed designee, as mentioned above would be treated as designated individuals/entities.

iv. Upon receipt of the requests from the UAPA nodal officer of IS-I Division, the list would be forwarded to BBPL and the procedure as enumerated at paragraphs 2.9.2 (a) and (b) shall be followed.

v. The freezing orders shall take place without prior notice to the designated persons involved.

e) Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person

i. Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, shall move an application giving the requisite evidence, in writing, to NSL. NSL shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 5

(ii) Above within two working days. The Joint Secretary (IS-I), MHA, being the nodal officer for (IS-I) Division of MHA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, within fifteen working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned stock exchanges, depositories and NSL. However, if it is not possible for any reason to pass an order unfreezing the assets within fifteen working days, the nodal officer of IS-I Division shall inform the applicant.

f) Communication of Orders under section 51A of Unlawful Activities (Prevention) Act.

i. All Orders under section 51A of the UAPA relating to funds, financial assets or economic resources or related services, would be communicated to stock exchanges, depositories and NSL through SEBI.

Reporting to Financial Intelligence Unit- India

The NAKAMICHI SECURITIES LIMITED should report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit- India (FIU-IND) at the following address in their prescribed format:

Director, FIU-IND

Financial Intelligence Unit-India

6th Floor, Hotel Samrat

Chankyapuri

New Delhi- 110021

PMLA POLICY

NAKAMICHI SECURITIES LIMITED

NAKAMICHI SECURITIES LTD.

Sanjeet W Singh

Company Secretary & Compliance Officer

Designation of an officer for reporting of suspicious transactions

The NAKAMICHI SECURITIES LIMITED has appointed Ms. Snigdha Tibrewala, Designated Director. To ensure that the NAKAMICHI SECURITIES LIMITED properly discharge their legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and implementation of SEBI Master Circular no. CIR/ISD/AML/3/2010 dated 31.12.2010.

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High standards in hiring policies and training with respect to anti-money laundering

The NAKAMICHI SECURITIES LIMITED has adequate screening procedures in place to ensure high standards when hiring employees. Mr. Sanjeet Kumar Singh, Compliance officer has been entrusted with the responsibility of complying with the provisions of the Act and reporting of the suspicious transactions, if any. The employees of the NAKAMICHI SECURITIES LIMITED has been briefed up and trained with the provisions and intention of the Act putting stress to anti money laundering and anti – terrorist financing. The clients are also educated about the requirement of the PMLA as and when the necessity arises. AML policy will be reviewed on a periodical basis as and when there is a requirement of any modification by the management or the Regulatory body.

Designation of Managing Director as Designated Director

The NAKAMICHI SECURITIES LIMITED has designated Ms. Snigdha Tibrewala, Whole-time Director as Designated Director to ensure overall compliance with the obligations imposed under chapter IV of the PMLA Act and the Rules.

Investors Education

Implementation of AML/CFT measures requires NSL 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 NSL to sensitize its clients about these requirements as the ones emanating from AML and CFT framework. NSL shall prepare specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme. The said literature/ pamphlets shall be displayed on NSL's website.

NAKAMICHI SECURITIES LTD.

Sanjeet W Singh

Company Secretary & Compliance Officer

PMLA POLICY

NAKAMICHI SECURITIES LIMITED

3. Other principles

NSL shall ensure the following:

- NSL will ensure the statement of policies and procedures are issued on a group basis, for dealing with ML and TF reflecting the current statutory and regulatory requirements
- NSL shall ensure that the content of these Directives are understood by all staff members
- NSL 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
- NSL will adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF
- NSL 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
- NSL have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- NSL will develop staff members' awareness and vigilance to guard against ML and TF

This revised policy was approved at the Board meeting of Nakamichi Securities Limited held on 11th August, 2018

Review of Policy

The policy may be reviewed as and when there is any change introduced by any statutory authority or as and when it is found necessary to change on account of business needs or Risk management Policy.

SIGNED BY:

FOR NAKAMICHI SECURITIES LIMITED

NAKAMICHI SECURITIES LTD.

Sanjeet W Singh

Company Secretary & Compliance Officer

COMPLIANCE OFFICER

PMLA POLICY

NAKAMICHI SECURITIES LIMITED