

Client Identification Programme-Stock Broking, Portfolio Management & Depository Services

<http://fiuindia.gov.in/faq-identityclient.htm#1717>

In terms of PMLA every intermediary (Including Stock Brokers, Portfolio Managers and Depository Participants) is required to have a Client Identification Programme and frame a KYC Policy, which means knowing our customer by seeking information and supporting documents about the customer's identity and address, besides other information like nationality, occupation etc. Towards this end a customer Acceptance and Identification Policy applicable to all categories of customers eligible to invest with us is formulated as follows.

I. Customer Acceptance Policy

a. Each client should be met in person:

Accept client whom we are able to meet in person. Either the client should visit the office or concerned official may visit the client at his residence/office address to verify the identity of the person. As far as possible, ensure that new client is introduced by an existing client.

b. Accept clients on whom we are able to apply appropriate KYC Procedures:

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

c. Do not accept clients with identity matching persons who have criminal background:

Check whether the client's identity matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement / regulatory agency.

d. Be careful while accepting clients of special category:

We should be careful while accepting clients of special category. The following are the clients of Special Category as per PMLA Regulations:

1. Non Resident Clients
2. High Net-worth Clients
3. Trust, Charities, NGO and organization receiving donations
4. Companies having close family shareholdings or beneficial ownerships
5. Politically exposed persons of foreign origin

6. 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).
7. Company offering foreign exchange offerings
8. Client 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.
9. Non face to face clients
10. Clients with dubious reputation as per public information available etc.

Scrutinize minutely the records /documents pertaining to clients belonging to aforesaid category.

- e. **Do not accept client registration form which are suspended to be fictitious:**
Ensure that no account is being opened in fictitious/benami name or on an anonymous basis.
- f. **Do not compromise on Submission of Mandatory information/documents:**
Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per regulatory guidelines. Do not open accounts were the client refuses to provide information/documents and we should have sufficient reasons to reject the client towards this reluctance.

II. Customer Identification Procedure

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

- A. Documents which can be relied upon:
 - a. **Income Tax Permanent Account Number Card (PAN Card):** PAN Card is compulsory and is most reliable document as only one card is issued to an individual and we can independently check the genuineness through Income Tax Departments website.
 - b. **Identity Proof:** PAN Card itself can serve as a proof of identity. However in case PAN Card carries an Old photograph of the Holder, which does not match with current facial feature of the client, we should take other identity proof in the form of Voter's ID Card, Passport, Driving Licence.
 - c. **Address Proof:** For valid address proof we can rely on Passport, Voter's ID Card, P{passbook, Bank Statement, Ration Card and latest electric/telephone bill in the name of the client.

B. Documents to be obtained as part of customer identification procedure from new clients:

a. In case of Individuals, one copy of the following documents have to be obtained

- i. As PAN is mandatory, verify the PAN with IT websites and cross verify the PAN Card copy with the original. [Please put "Verified with original" and "PAN verified" stamp as proof of verification.]
- ii. Other proofs of identity are voter's ID Card, Passport or any Government/PSU/Bank issued photo identity card or any other document prescribed by regulatory authorities.
- iii. Address proof in the form of Voter's ID Card, Passport, Bank Statement, Ration Card, and latest telephone /Electricity bill in the name of the client or any other document prescribed by regulatory authorities.

b. In case of Corporate, one certified to be true copy of the following documents must be obtained

- i. Copy of registration/Incorporation Certificate
- ii. Copy of Memorandum & Articles of Association
- iii. Copy of PAN Card of the company
- iv. Proof of address of the company
- v. Copy of Latest two years Annual financial statements of the corporate client
- vi. Board resolution for appointment of authorized person who will operate the account
- vii. Proof of identity of the authorized person.

c. In case of Partnership firms one certified to be true copy of the following must be obtained

- i. Registration certificate
- ii. Partnership deed
- iii. PAN Cards of Partners
- iv. Authorization letter for the persons authorized to open and operate the account
- v. Proof of identity and address of the authorized persons
- vi. Annual Statement / returns of the partnership firm.

d. In case of a Trust, one certified to be true copy of the following must be obtained

- i. Registration Certificate
- ii. Trust Deed
- iii. PAN Card
- iv. Authorization letter for the entity authorized to act on their behalf
- v. Officially valid documents like PAN Card, Voter's ID Card, passport etc, of person (s) authorized to transact on behalf of the trust.

e. In case of unincorporated association of person or a Body of Individuals, one certified to be true copy of the following must be obtained

- i. Resolution of Managing body of such association
- ii. POA in favour of person authorized to transact

- iii. Officially valid documents like PAN Cards, Voters ID Card, Passport, etc. of person (s) authorized to transact
 - iv. Any document required by KBCMPL to establish the legal existence of such an association or body of individuals.
- f. In case of NRI Accounts – Repatriable/Non Repatriable, the following documents must be obtained**
- i. Copy of PIS Permission issued by designated banker
 - ii. Copy of Passport
 - iii. Copy of PAN Card
 - iv. Proof of overseas address
 - v. Proof of Indian address
 - vi. Copy of Demat Client Master Report
 - vii. If the account is handled through a mandate holder, copy of the valid POA/ Mandate.

General Guidelines

1. Always check original documents before accepting the copies
2. Obtain the latest photograph of the account holder/authorized person(s)
3. Check for the latest IT Return/Networth certificate for ascertaining the financial status of the client to know the client sustainability of the product being sold to the client.
Review the above details on an ongoing basis to ensure that the transactions being conducted are consistent with our knowledge of customer, its business and risk profile, taking into account, where necessary, the customers' source of funds.
4. Scrutinize forms submitted by the client thoroughly and cross check the details with various documents obtained like source of income. If required, ask for any additional details like salary slip, etc. to satisfy yourself wherever necessary.
5. For scrutiny/ background check of clients, website such as www.Watchoutinvestors.com should be referred to. Also prosecution database /List of vanishing companies available on SEBI's website www.sebi.gov.in and RBI Defaulters Database available on www.cibil.com can be checked.
6. Keep watch on welcome kits returned with reason as "undelivered". The Compliance Officer should be alerted, client be contacted immediately on telephone and trading, if suspected, should be suspended.

7. Employee of the company should not preferably sign as witness of the agreements from the client side.
8. If employee of the company introduces a client, exact relation with such client should be documented.