

ANTI MONEY LAUNDERING POLICY

COMFORT SECURITIES LTD

FOR INTERNAL USE ONLY

This is a confidential and proprietary document of Comfort Securities Ltd. Any unauthorized use or copying of this document is prohibited. Permission of the Principal Officer must be obtained before taking copies or circulating this document.

1. Background

1.1. Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, SEBI had issued the Guidelines on Anti Money Laundering Standards vide their notification No.ISD/CIR/RR/AML/1/06 dated 18th January 2006, vide letter No.ISD/CIR/RR/AML/2/06 dated 20th March 2006 and vide Circular number CIR/MIRSD/1/2014 dated March 12th, 2014 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI.

2. What is Money Laundering?

2.1 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.

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

3. Prevention of Money Laundering Act, 2002

3.1. 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.

3.2. 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

4. Financial Intelligence Unit (FIU) – INDIA

4.1. 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.

4.2. 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.

5. Policy of Comfort Securities Limited

5.1. Comfort Securities Limited (CSL) has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame-work to report cash and suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002. This policy is applicable to CSL Employees, Sub-Brokers and Authorised Persons (AP).

6. Objective of these Guidelines

6.1. The purpose of this document is to guide all the employees of CSL and employees of its associates on the steps that they are required to take and implement to prevent and identify any money laundering or terrorist financing activities. It shall be the responsibility of each of the concerned employees that they should be able to satisfy themselves that the measures taken by them are adequate, appropriate and follow the spirit of these measures and the requirements as enshrined in the "Prevention of Money Laundering Act, 2002".

6.2. Some of these suggested measures may not be applicable to every circumstance or to each department, Branch / Sub-broker. However, each entity should consider carefully the specific nature of its business, type of customer and transaction to satisfy itself that the measures taken by the employees are adequate and appropriate to follow the spirit of these guidelines.

7. Implementation of this Policy

7.1. Ms. Swati Matkar 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 CSL discharges its legal obligation to report suspicious transactions to the concerned authorities.

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

Obtaining sufficient information about to the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted.

Verify the customer's identity using reliable, independent source document, data or information.

Conduct on-going due diligence and scrutiny of the account/client to ensure that the transaction conducted are consistent with the client's background/financial status, its activities and risk profile.

7.3. The Customer Due Diligence Process includes three specific parameters:

Policy for Acceptance of Clients

Client Identification Procedure

Suspicious Transactions identification & reporting

8. Customer Acceptance Policy

8.1.

Each client should be met in person: Accept client whom we are able to meet personally. Either the client should visit the office/branch or concerned official may visit the client at his residence / office address to get the necessary documents filled in and signed. Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client.

Accepts clients on whom we are able to apply appropriate KYC procedures: Obtain complete information from the client. It should be ensured that the initial forms taken by the clients are filled in

completely. All photocopies submitted by the client are checked against original documents without any exception. Ensure that the 'Know Your Client' guidelines are followed without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified.

Do not accept clients with identity matching persons known to have criminal background: Check whether the client's identify 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 worldwide.

Be careful while accepting Clients of Special category: We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed share holding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange, etc.) or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc). Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category

Guidelines on Identification of Beneficial Ownership: For non-individual customers as part of the due diligence measures sufficient information must be obtained in order to identify persons who beneficially own or control 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 should be identified and verified using client identification and verification procedures as early as possible. 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(s) is/are being conducted. It includes persons who exercise ultimate effective control over a legal person or arrangement.

Do not accept client registration forms which are suspected to be fictitious: Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.

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 the regulatory guidelines. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.

8.2. Customer Identification Procedure (FOR NEW CLIENTS)

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

8.2.1. Documents which can be relied upon:

PAN Card: PAN card is mandatory and is most reliable document as only one card is issued to an individual and we can independently check its genuineness through IT website.

IDENTITY Proof: PAN Card itself can serve as proof of identity. However, in case PAN card carries an old photograph of the holder, which does not match current facial features of the client, we should take other identity proof in form of Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card.

ADDRESS Proof: For valid address proof we can rely on Voter's Identity Card, Passport, Bank Statement, Aadhaar Letter, Ration card and latest Electricity/telephone bill in the name of the client.

8.2.2. Documents to be obtained as part of customer identification procedure for new clients:

In case of individuals, one copy of the following documents have to be obtained:

As PAN is mandatory, verify its genuineness with IT website and cross verify the PAN card copy with the original. Please put "verified with original" stamp as proof of verification.

Other proofs for identity are Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card or any other document prescribed by the regulatory authorities.

Address proof in the form of Voter's Identity Card, Passport, Bank Statement, Ration card and latest Electricity/telephone bill in the

name of the client or any other document prescribed by the regulatory authorities.

b. In case of corporates, one certified copy of the following documents must be obtained:

Copy of the Registration/Incorporation Certificate

Copy of the Memorandum & Articles of the Association

Copy of the PAN card and the Director Index No. (DIN)

Copy of the latest audited Annual Statements of the corporate client

Latest Net worth Certificate

Latest Income Tax return filed.

Board Resolution for appointment of the Authorized Person who will operate the account.

Proof of address and identity of Authorized Person

c. In case of partnership firm one certified copy of the following must be obtained:

Registration certificate

Partnership Deed

PAN card of partners

Authorization letter for the person authorized to open and operate the account

Proof of identity and address of the authorized person.

Annual statement/returns of the partnership firm

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

Registration certificate

Trust Deed

PAN card

Authorization letter for the entity authorized to act on their behalf

Officially valid documents like PAN card, voters ID, passport, etc of person(s) authorized to transact on behalf of the Trust.

e. In case of unincorporated association or a body of individuals, one certified copy of the following must be obtained:

Resolution of the managing body of such association or body of individuals

PoA in favour of person authorized to transact

Officially valid documents like PAN card, voters ID, passport, etc of the person(s) authorized to transact

Any document required by Comfort to establish the legal existence of such an association or body of individuals.

f. In case of an NRI account - Repatriable/non-repatriable, the following documents are required:

Copy of the PIS permission issued by the bank

Copy of the passport

Copy of PAN card

Proof of overseas address and Indian address

Copy of the bank statement

Copy of the demat statement

If the account is handled through a mandate holder, copy of the valid PoA/mandate

8.3. General Guidelines

Always check original documents before accepting the copies

Obtain the latest photograph of account holder/ authorized person(s)

Check for latest IT return of the client/ Net worth Certificate for ascertaining the financial status of the client to know the client suitability of the product being sold to the client

Review the above details on-going basis to ensure that the transactions being conducted are consistent with our knowledge of customers, its business and risk profile, taking into account, where necessary, the customer's source of funds.

Scrutinize the 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 slips, etc. to satisfy yourself whenever there is a doubt.

For scrutiny / background check of the clients, websites such as www.watchoutinvestors.com should be referred. Also, Prosecution Database / List of Vanishing Companies available on www.sebi.gov.in and RBI Defaulters Database available on www.cibil.com can be checked.

Keep watch on the welcome kits returned with reason - undelivered.

Business Head should be alerted, client be contacted immediately on telephone and the trading, if suspected, should be suspended

Employee of Comfort Group should not preferably sign as witness on the CRF

If Employee of Comfort Group introduces the client, exact relation of the client with such employee should be documented.

8.4. For all Existing clients

8.4.1. On an on-going basis, the branches should ensure that the details given in the KYC, by the client, matches with the current details of the client. If required, we can seek additional documents/information from the client to verify the financial/general status of the client.

8.4.2. In cases where:

There is any material negative change in the financial details of the client from what is given in the KYC.

If the client is not contactable/traceable or contracts notes/communications sent are received back undelivered.

In case the client is prohibited by any regulatory authority.

The client refuses to provide additional information/document asked for.

There is a material change in the mandate holder profile/details

Branches should immediately bring the same to the notice of the Business Head. The Business Head will, in turn, discuss the same with the Principal Officer to decide on the necessary course of action, including reporting to FIU, New Delhi.

9. Risk Profiling of the Client

9.1. 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 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.

9.2. 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

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

9.2.2. Category B clients are those who are intra-day clients or speculative clients. These are the clients who maintain running account with CSL.

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

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

9.4. 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.

9.5. 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.

9.6. Mandate Holder Policy

9.6.1. The primary objective of this policy is to ensure that we are aware as to who is the ultimate beneficiary of the transaction and that the transactions executed, through the mandate holder are bonafide.

9.6.2. It is possible that some of the individual clients might appoint a mandate holder. Normally the trading account is opened in the name of various family members and one the family member will hold the mandate. Also, in case of some NRI clients who are based abroad, there may be on a PoA/Mandate in favour of a person residing in India

9.6.3. Whenever any account is operated by a mandate holder, find out the relationship of the mandate holder with the client, followed by establishing the identity of the mandate holders by obtaining proof of identity and address.

9.6.4. Do not accept any payment from the account of mandate holder in favour of the client. All the payments have to be received from the client's bank account only for which the PoA holder may or may not have

the mandate to operate the bank account. Similarly pay-out cheques should be issued only in the name of the client and not in the name of the mandate holder.

9.6.5. In case there is suspicion on the relationship between the mandate holder and the actual client or in case behavior of the mandate holder is suspicious, do take necessary advice from the Business Head.

10. Roles

The Role of the Principal Officer (PO)

Ms. Swati Matkar is the Principal Officer of the Comfort Securities Limited

Email: swati.m@comfortsecurities.co.in

The PO is responsible for:

- (1) Receiving internal suspicious activity reports
- (2) Taking reasonable steps to access any relevant KYC information on concerned parties
- (3) Making external reports as required
- (4) Obtaining and using national and international findings concerning countries with inadequacies in their approach to money laundering prevention
- (5) Taking reasonable steps to establish and maintain adequate arrangements for awareness creation and staff training

The Principal Officer, or any person to whom the Principal Officer's duties have been delegated, shall have access to any information of the customer or transaction(s).

The Principle Officer shall have access to and be able to report to senior management above his/her next reporting level or the Board of Directors

11. Appointment of Designated Director

As per SEBI circular No. CIR/MIRSD/1/2014 dated March 12, 2014; we have appointed Mr. Bharat Shiroya and Mrs. Annu Agrawal as a designated director of Comfort Securities Limited

12. Reporting Procedures under PMLA

The Principal Officer has been entrusted with the responsibility of collating and reporting transactions prescribed under the Rules notified. All internal reports of suspicious transactions shall be considered by the Principal Officer, and these shall be reported externally if the Principal Officer has reasonable grounds to suspect, as specified in the Rules notified.

In reaching a decision concerning a suspicion report, the Principal Officer, or in his/her absence a duly authorised delegate shall take reasonable steps to consider all relevant KYC information available within the Company concerning the person or business to which the initial report relates. This may include, as part of reviewing the KYC information/customer profile:

- a) Transaction patterns
- b) Volumes through the account or accounts in the same name
- c) The length of the business relationship
- d) Reference to the KYC documents held, if required

As part of the review, the Principal Officer may choose to relate the transaction to other connected accounts or relationships.

If, after completing this review, he/she decides that there are grounds for knowledge, suspicion or reasonable grounds to suspect money laundering, then he/she must disclose the information as soon as practicable after the disclosure was received in order to avoid committing an offence of failure to disclose. Nevertheless, care should be taken to guard against a report being submitted as a matter of routine without undertaking reasonable internal enquiries to determine that all available information has been taken into account. The officer will be expected to act honestly and reasonably and to make his/her decisions in good faith. The decision whether or not to report must not be subject to the consent or approval of any person other than the Principal Officer.

Accounts where suspicious transactions have been reported to the FIU-IND may be reclassified as High Risk / monitored closely. Following the reporting of a suspicious transaction, the Company shall continue to be vigilant in monitoring further transactions in such accounts. However, the Principal Officer may, after a period of time, based on further developments in the account, remove such accounts from a high-risk classification.

13. Reporting to Financial Intelligence Unit-India (FIU-IND)

The Principle Officer will be responsible for timely submission of CTR & STR to FIU-IND. The cash transaction report (CTR) for each month should be submitted to FIU-IND BY 15th succeeding month.

STR should be submitted within 7 days of arriving at a conclusion that any transaction. The Principle Officer should record his reasons for treating any transaction or a series of transactions as suspicious.

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

Extreme confidentiality should be maintained in filing of CTR & STR to FIU-IND.

No nil reporting needs to be made to FIU-IND in case there are no cash or suspicious transactions to be reported.

Company & its directors, officers & employees (permanent & temporary) are prohibited from disclosing the fact that the STR / related information is being reported / provided to the FIU-IND.

14. PMLA POLICY WITH RESPECT TO EMPLOYEES' HIRING/TRAINING & INVESTOR EDUCATION

Policy on Hiring of Key Employees:

At the time of screening key employees in the Company, the HR personnel should make sure that the key employees must be made aware about the AML / CFT requirement at the time of joining the organization and on such other time as they deem fit to ensure that key employees* shall perform & discharge their duties efficiently and effectively to combat risk of money laundering which is considered to be a prominent area / aspect in an industry in which the Company operates.

* Key employees are employees as per the list maintained by HR personnel from time to time.

15. Policy on Employee's training:

The Company should have an ongoing employee training programme in terms of following:

circulating information from time to time to the concerned employees pursuant to the PMLA requirement wherein all the employees are made aware about requirement of PMLA viz. procedures to be followed while dealing with potential clients, ongoing due diligence in terms of risk profile, clients' transactions, etc.

Conducting presentations from time to time to create awareness amongst the concerned employees.

Policy on Investor Education:

With a view to discharge our responsibility in the view of PMLA requirement, the Company should endeavor to do the following:

Provide literature to potential clients which make them aware about the AML/CFT requirement.

Disseminating / spreading the information amongst the investors / clients via different modes.

16. Review of AML Policy:

The Company should review the policy time to time as and when circulars issued in relation with the same.

After review Policy, Company should place it before the Head and the revised policy should be placed before the board and the date of review will be mentioned in the approved policy.

Annexure-1

| Annexure forming part of KYC policy & Prevention of Money Laundering Policy | | |
|---|------------------|----------------------------|
| Sr. No. | Nature of Client | BO Identification Criteria |

| | | |
|----|---|---|
| 1. | person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals | <p>(a) 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**</p> <p>b) In cases where there exists doubt under clause (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means. Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.</p> <p>(c) Where no natural person is identified under clauses (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official.</p> |
| 2. | For client which is a trust: | Where the client is a trust, the Company 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. |
| 3. | Exemption in case of listed companies: Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies. | |
| 4. | Applicability for foreign investors: Intermediaries dealing with foreign investors' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBI | |

| | |
|--|--|
| | circular CIR/MIRSD/11/2012 dated September 5, 2012, for the purpose of identification of beneficial ownership of the client. |
|--|--|

The provisions of this circular shall come into force with immediate effect.

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

more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;

more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or

more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

STRICTLY CONFIDENTIAL