

ANTI MONEY LAUNDERING POLICY
(Version 2022-23)

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Introduction

Money Laundering is the practice of engaging in financial transactions in order to conceal the identity, source and destination of the money in question. The objective of the operation, which usually takes place in several stages, consists in making the capital and assets that are illegally gained seem as though they are derived from a legitimate source and inserting them into economic circulation.

Money laundering generally involves a series of multiple transactions used to disguise the source of financial assets so that these assets may be used without comprising the criminals who are seeking to use the funds. These transactions fall into three stages. The first is placement that refers the physical disposal of proceeds of criminal activity. Placement is the first stage in the money laundering process. Layering involves separating illicit funds from their source through transactions that disguise the audit trail and provide anonymity. The third phase is integration, which means placing laundered proceeds into the legitimate economy as normal funds. Compliance of AML has become mandatory because of laxity in controls, regulatory reporting, competitive nature of business and the like. Non-compliance with AML regulations is fraught with all possible risks – financial, regulatory, operational and reputation.

Capital Market intermediaries are required to put in place a framework by developing and adoption of AML policy. It has to include mission, reporting, record keeping, monitoring, KYC and similar aspects.

Scope

This policy applies to all quant Group, branches/franchisees, its officers, employees, products and services offered by quant.

Objectives

Within the overall Group AML Policy framework, the key AML objectives of the quant are:

1. To prevent the quant's business channels/products/services from being used as channel for money laundering.
2. To establish a framework for adopting appropriate AML procedure and controls in the operations/business processes of quant.
3. To ensure compliance with the laws and regulations in force from time to time.
4. To protect the quant's reputation.
5. To assist law enforcement agencies in their effort to investigate and track money launderers.

Principal Officer

As per the requirement of Prevention of Money Laundering Act, 2002, a Principal Officer has been appointed and informed to FIU. Principal Officer will be responsible for reporting any transactions covered under Prevention of Money Laundering Act, 2002.

The Principal Officer so appointed and reported to FIU India for quant Institutional Equities Private Limited is **Mr. Dilip Halande**.

quant institutional equities private limited (formerly known as quant commodity broking private limited)

CIN: U67190MH2009PTC291658

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Designated Director

As per the requirement of Prevention of Money Laundering Act, 2002, a Designated Director will be appointed and informed to FIU. Designated Director will ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules.

The Designated Director so appointed and Reported to FIU India for quant Institutional Equities Private Limited are mentioned below:

| Sr. No. | Name of the Designated Directors | Exchanges |
|----------------|---|------------------|
| 1. | Mr. Dilip Halande | BSE |
| 2. | Mr. Rohan Jadhav | BSE |
| 3. | Mr. Nayan Gogri | MCX and NCDEX |
| 4. | Mr. Paresh Ghosh | MCX and NCDEX |

Know Your Client – Acceptance & Identification

quant is aware that availability of sufficient Client information underpins all other AML procedures and should be seen as a critical element in the effective management of money laundering risks.

quant has evolved a Client Registration Policy in line with the SEBI/Exchange's requirement, which lays down the criteria for registration of clients. The KYC Procedures would be based on the following principles in addition to the various aspects outlined under various regulations.

Company shall ensure that there is a process in place for client identification and verification depending on the nature/status of the client and kind of transactions that contemplated to take place.

Appropriate client identification and verification procedures shall be conducted at different stages i.e. while establishing a trading relationship, carrying out a financial transaction or when the company has doubt about the authenticity/veracity or the adequacy of the previously obtained client identification data.

The Company shall ensure that a business relationship is commenced only after establishing and verifying the identity of the Client and understanding the nature of the business the client expects to conduct.

The risk based KYC procedures adopted by the Company shall be applicable to all the new client relationships.

The KYC procedures shall become applicable to existing clients only if the risk profile of the Client or Client segment changes to a higher risk category or based on materially or pursuant to any applicable regulatory guidelines or when there is an unusual pattern in the operation of account. This shall be done by way of enhanced due diligence.

Based on the risk, and to the extent reasonable and practicable, quant will ensure that it has a reasonable belief of the true identity of its clients. In verifying Client identity, the company shall review photo identification. The Company shall not attempt to determine whether the document that the Client has provided for identification has been validly used. For verification purposes, the Company shall rely on a Government issued identification to establish a client's identity. quant, however, will analyze the information provided to determine if there are any logical inconsistencies in the information obtained.

The Company will document its verification, including all identifying information provided by the Client, the methods used and results of the verification.

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Client Due Diligence

The Company shall ensure that no account in anonymous or fictitious/benami name (s) is/are opened. The nature and extent of basic due diligence measures to be conducted would be dependent upon the risk profile of the client and involve the collection and recording of information by using reliable independent documents, data or any other information. This may include ascertaining of occupational details, legal status, ownership and control structure and any additional information.

In case of New Clients, acceptance procedures adopted include following processes:

1) Checking the records with the Client in the debarred list.

Before opening the client account it is also verified that the client is not a part of the Debarred list. This will help THE Company in not opening erroneously account of a debarred client or entity. The list used is as below:

UNSC and Al-Qaida List (Sanction List) as received from the Regulatory Authorities from Time to Time
SEBI Debarred List
Domestic PEP

If a client is found matching with UNSC and Al-Qaida Sanction Lists the Company shall not open the account and immediately inform the Principal Officer/Management for further action which will result in STR filing. If a client is found matching with SEBI Debarred List, the Company shall not open the account unless approved by a senior person on a case to case basis. If a client is a Politically Exposed Person, the Company shall not open the account.

The screening will be done for UBO and associated entities also like Directors in a private ltd or partners in a trust or trustees in a trust.

2) Summarizing the steps of Opening the account are as below:

- Checking for KYC and mandatory information in the form.
- In person verification
- Verification with original documents
- Checking of client with screening database consisting of sources mentioned above.
- Verification of Pan with Income Tax Database.
- Marking of Client under CSC.
- Dispatch Photocopies of KYC and Welcome Letter on the address mentioned in the account opening form.
- Welcome Email along with login details of back office and password to clients designated Email address.

For non face-to-face Clients, appropriate due diligence measures for identification and verification of client will be applied. The purpose of commencing the relationship/opening of account shall be established and the beneficiary of the account shall also be identified.

Appropriate enhanced due diligence measures shall be adopted for the clients of following categories:

1. Non-Resident Clients.
2. High net worth clients
3. Trusts, Charities, NGO'S and organizations receiving donations.

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4. Companies having close family shareholdings or beneficial ownership.
5. Politically exposed persons of foreign origin.
6. Heads of State (Current/ former), senior high profile politicians and connected persons.
7. Companies offering foreign exchange offerings.
8. Clients in high-risk countries.
9. Non face-to-face clients.
10. Clients with dubious reputation as per public information.

The Company shall ensure that the identity of the client does not match with any person with known criminal background or with banned entities.

The Company shall not open an account where the Company is unable to apply appropriate client due diligence measures. On the same grounds, if the Company is not able to apply appropriate client due diligence measures on an existing account, the Company shall take steps to close the account. However, the decision to close an existing account shall be taken after giving due notice to the client explaining the reasons for such a decision.

If a Client either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, the respective department shall notify the same to Principal Officer

3) For existing clients processes include:

- Review of KYC details of all the existing active clients in context to the PMLA 2002 requirements as shown in the following manner:

High risk category clients - at every one year from the date of account opening,
Medium Risk category clients – at every three years from the date of account opening,
Low risk category clients – at every five years from the date of account opening.
- Classification of clients into high, medium or low risk categories based on KYC details, trading activity etc for closer monitoring of high risk categories.
- Obtaining of annual financial statements from all clients, particularly those in high risk categories at reasonable intervals.
- In case of non individuals client additional information about the directors, partners, dominant promoters, and major shareholders is obtained.

The aforesaid review procedure for the existing Clients so registered shall be carried out by the Company on half Yearly basis.

Risk based approach

Following Risk based KYC procedures are adopted for all clients:

1. Large number of accounts having a common account holder
2. Unexplained transfers between multiple accounts with no rationale

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3. Unusual activity compared to past transactions
4. Doubt over the real beneficiary of the account
5. Payout/pay-in of funds and securities transferred to /from a third party
6. Off market transactions especially in illiquid stock and in F & O, at unrealistic prices
7. Large sums being transferred from overseas for making payments
8. Inconsistent with the clients' financial background

Clients of special category (CSC)

1. Nonresident clients,
2. High net-worth clients,
3. Trust, Charities, NGOs and organizations receiving donations,
4. Companies having close family shareholdings or beneficial ownership,
5. Politically exposed persons (PEP). Politically exposed persons 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 clause 5.5 (Page 19 of the Master Circular) shall also be applied to the accounts of the family members or close relatives of PEPs,
6. Companies offering foreign exchange offerings,
7. Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, 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,
8. Non face to face clients,
9. Clients with dubious reputation as per public information available etc.
10. Where the client is a juridical person, verify that any person purporting to act on behalf of such client is so authorised and verify the identity of that person.

Monitoring and Reporting of Suspicious Transactions

Ongoing monitoring of accounts which includes:

- I. Identification and detection of apparently abnormal transactions.
- II. Generation of necessary reports/alerts based on clients' profile, nature of business, trading pattern of clients for identifying and detecting such transactions. These reports/alerts are analyzed to establish suspicion or otherwise for the purpose of reporting such transactions.
- III. Cash Transactions: The Company is prohibited to deal in cash with their clients under the Exchange's Rules & Regulations and would continue to comply with the same.

- IV. **Other Suspicious Transactions:** On observation of the below mentioned transactions/behavior, the concerned personnel shall immediately report to Principal Officer/Designated Directors.
- The Client is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspect identification or business documents.
 - The Client (or a person publicly associated with the Client) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
 - The Client exhibits a lack of concern regarding risks or other transaction costs.
 - The Client appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.
 - The Client's account has unexplained or sudden extensive activities, especially in accounts that had little or no previous activity.
 - The Client generally makes the payment by Demand Draft or suddenly starts making payment through Demand Drafts for no apparent reason.
 - Client's turnover in any particular scrip forms the substantial part of total turnover of the Exchange in that particular scrip, especially when the scrip can be categorized as a B2/Z Group Scrip.
 - On the similar grounds, when Client's turnover in any particular scrip forms the substantial part of total turnover of quant in that particular Scrip, especially when the scrip can be categorized as a B2/Z Group Scrip.
 - In case of Client's excessive concentration on one/two scrip, especially if the scrip can be categorized as illiquid stocks/Contract/Z Group.
 - The Client's trading pattern suggests that he/she has traded dominantly only in one/two scrip and the value of those scrips have gone up sharply within a short span of time for no apparent reason.
 - Client is transferring large sum of Money to/from overseas.

Ongoing monitoring is an essential element of effective KYC procedures. quant can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the Client so that they have the means of identifying transactions that fall outside the regular pattern of activity. As a part of ongoing surveillance and AML measures, the compliance team practices further check on the 42 Red flag Indicators (RFI) by FATF and on actual beneficial owner and his control on account. Whenever there is an alert generated in system from Exchange Portals such as from www.eboss.bseindia.com / Memberb Portal, the compliance team approach to the respective client and asks for detailed explanation and verifies them independently. On regular basis such clients' trading patterns and their consequential effects on the price of respective scrip are monitored. Financial information is asked to judge the genuineness of clients' trades, financial sources and their trading pattern. Special care is being taken as far as non-Individual clients are concerned. All new accounts shall be reviewed against negative lists issued by SEBI/FMC, Exchanges, UN sanctions lists etc. In case of existing clients, if any names appear in the UNSCR list and as and when any stock exchange issues any circular/ notification in this regard, the Company immediately deactivates that client. If any person's/ entity name appears on SEBI debarred list and that person is our client, we immediately stop the trading of those clients.

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In terms of the PML Rules, intermediaries are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address: Director, FIU-IND, Financial Intelligence Unit-India, 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi-110021. Website: <http://fiuindia.gov.in>

The background including all documents/ office records/ memorandums/ clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents should be made available to auditors and also to SEBI /Stock Exchanges/FIU-IND/Other relevant Authorities, during audit, inspection or as and when required. These records are required to be preserved for Five years as is required under PMLA 2002.

The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month and The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer and/or Compliance Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion. The Principal Officer and/or Compliance Officer shall be responsible for timely submission of CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address. No nil reporting needs to be made to FIU-IND in case there are no cash/suspicious transactions to be reported.

Identification Of Beneficial Owner

SEBI vide its circular No: CIR/MIRSD/2/2013, dated 24th January 2013, has defined further guidelines on Identification of Beneficial Ownership of securities account. Further, the Prevention of Money Laundering Rules, 2005 also require that every financial and intermediary, shall identify the beneficial owner and take all reasonable steps to verify his identity. In view of above following measures shall be followed

Check would be done for actual beneficial ownership and control of the particular account. The Company needs to obtain the details with respect to Shareholders, promoters from the non individual clients and wherever possible it has to be verified independently. Also verify the sources of funds for funding the transaction. The Company shall also take care at the time of settlement regarding nature of transaction, movement/source of transaction, etc. Periodically to ask for clients financial details to determine the genuineness of transaction.

Special care would be taken in case of non-individual accounts such as corporate, partnership firms etc, where the ownership structure is opaque. For this purpose, "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.

Investigation

Upon notification to the Principal Officer/Designated Directors, an investigation will be commenced to determine if a report should be made to appropriate law enforcement or regulatory agencies. The investigation will include the review of all available information. If the results of the investigation warrant, a recommendation will be made to file a Report with the appropriate law enforcement or regulatory agency. The Principal Officer is responsible for any notice or filing with law enforcement or regulatory agency.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know.

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Record Keeping

The Principal Officer will be responsible to ensure that AML records are maintained properly. The Company shall also maintain such records, which can permit reconstruction of individual transactions so as to provide evidence for prosecution of criminal behavior.

The Company shall maintain and preserve the records for the minimum period prescribed under AML Act and SEBI Act. Records relating to ongoing investigations to be retained until it are confirmed that the case has been closed.

Training

Hiring of Employees:

All employee accounts will be subjected to the same AML procedures as the customer accounts, under the supervision of the Principal Officer. Adequate screening procedures to be in place to ensure high standards when hiring employees, having regard to the risk of money laundering and terrorist financing and the size of the business, we ensure that all the employees taking up such key positions are suitable and competent to perform their duties.

Employees' Training:

An ongoing employee training program should be conducted by the Compliance Department and Senior Management. Participation of all the Key Employees in the Seminars conducted by various Regulatory bodies from time to time are made mandatory so that the staffs are adequately trained in AML and CFT procedures. All the Circulars issued by various Regulatory bodies including that of PMLA, are circulated to all the staff employees and the same are also being discussed in length, in the Training Program'. Training program shall have special emphasis on frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients. It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

The training will include, at a minimum: how to identify flags and signs of money laundering that arise during the course of the employees' duties; what shall be the procedure followed once the risk is identified; Employees' roles in the firm's compliance efforts and the means to perform them; the Company's record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the PMLA Act.

Investors Education:

As the implementation of AML / CFT measures being sensitive subject and requires us to demand and collect certain information from investors which may be of personal in nature or has hitherto never been called for, which information include documents evidencing source of funds / income tax returns / bank records etc. and 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 us to sensitize the clients about these requirements, as the ones emanating from AML and CFT framework.

Procedure for Freezing of Funds, Financial Assets or Economic Resources or Related Services:

quant is aware that Under section 51A of Unlawful Activities (Prevention) Act, 1967, 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. The obligations to be followed by intermediaries to ensure the effective and expeditious implementation of said Order has been issued vide SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009, which needs to be complied with scrupulously.

Conflict with the Act/ Rules/Regulations

The Prevention of Money Laundering Act, 2002, Rules and Regulations issued thereon and any Regulation/ Circular/ Direction issued by SEBI and Stock Exchanges shall have an overriding effect on this policy.

Periodic Review

The Management Committee of the Company may review the policy periodically at regular interval of yearly basis to keep check on its adherence to existing laws, rules, regulations, notifications, circulars or any such declaration from the SEBI or Stock Exchange.

Amendment

The policy may be amended from time to time to comply with the provisions of Prevention of Money Laundering Act, 2002, Rules and Regulations issued thereon and Regulations/ Circulars/ Directions issued by SEBI and Stock Exchanges.