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Anti-Money Laundering (AML) Policy for SEBI Research Analysts

1. Introduction

This AML Policy is designed specifically for SEBI-registered Research Analysts (RAs) who provide investment recommendations and research reports. RAs do not handle client funds or execute transactions. They onboard clients through signed Terms & Conditions and perform KYC via PAN verification using the KRA system. This policy aligns with SEBI Master Circular SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023, and its subsequent updates.

2. Scope

This policy applies to all activities of the Research Analyst business, including:

- Onboarding clients (one-to-many research services)
- Verifying client identity via PAN through the KRA system
- Delivering research reports and recommendations

Research Analysts do not hold or manage client accounts or funds.

3. Definitions

1. CDD: Client Due Diligence
2. EDD: Enhanced Due Diligence
3. PEP: Politically Exposed Person
4. FIU-IND: Financial Intelligence Unit – India
5. STR: Suspicious Transaction Report
6. KRA: KYC Registration Agency

4. Governance and Responsibilities

4.1 Designated Director: Ensures overall AML compliance and policy approval.

4.2 Principal Officer: Individual RA or Principal officer in case of non individual RA responsible for reporting suspicious activities to FIU-IND.

4.3 Compliance Officer: Implements CDD processes, monitors client interactions, and maintains records.

5. AML/CFT Policies and Procedures

5.1 Client Acceptance and Risk Categorization

- Clients must sign the RA's Terms & Conditions (Including MITC) before onboarding.
- Perform CDD via PAN authentication through a registered KRA system.
- Classify clients based on plan and nature of plan subscribed. This does not amount to risk profiling. Recommendation plans are made based on risk involved in securities being given as recommendations.
- Apply EDD for PEPs, high-risk geographies, and unusual engagement requests.

5.2 Client Due Diligence (CDD)

- Verify client identity using PAN via KRA system.
- Record client name, PAN, contact details, and engagement type.
- Identify and document any beneficial owners if the client is an entity.
- Understand the purpose and expected usage of research services.

5.3 Reliance on Third Parties

- RAs may rely on KRA systems for PAN verification under CDD Rules.
- Ultimate responsibility for CDD remains with the RA.

5.4 Risk Assessment

- Conduct periodic risk reviews recommendation plans being offered.
- Update risk categories when client circumstances or regulations change.
- Document assessment results for audit and regulatory review.

5.5 Monitoring and Reporting

- Monitor client interactions and requests for signs of irregular or illicit use of research.
- Report any suspicious client behavior or requests to the Principal Officer/ Individual RA.
- File STRs with FIU-IND within 7 days of detecting suspicious activity.
- Maintain confidentiality to prevent tipping-off.

5.6 Record Keeping

- Retain signed T&C documents, PAN KYC records, and client correspondence for at least 5 years after relationship ends.
- Keep a log of STRs and related documents for 5 years from the date of reporting.

5.7 Sanctions Screening

- Screen client lists against UN and Indian sanctions databases before onboarding.
- Decline service to sanctioned individuals or entities and report to relevant authorities.

5.8 Training and Awareness

- Provide annual AML training for all staff involved in client onboarding and research dissemination.
- Update training materials to reflect regulatory changes and emerging risks.

6. Policy Review

This policy shall be reviewed annually or upon significant regulatory updates and re-approved by the Designated Director.