



# **COMPOSITE SECURITIES LIMITED**

## **Anti Money Laundering Procedures**

### **Background**

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.

### **1. Customer Due Diligence**

The customer due diligence ("CDD") measures at CSL would comprise of the following:

- Obtaining sufficient information 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 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.
- Verify the customer's identity using reliable, independent source documents, data or information;
- Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the customer and/or the person on whose behalf a transaction is being conducted;
- Verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c); and
- Conduct 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 the registered intermediary's knowledge of the customer, its business and risk profile, taking into account, where necessary, the customer's source of funds.

### **2. Policy for acceptance of clients:**

- ❖ To develop customer acceptance policies and procedures that aim to identify the types of customers that are likely to pose a higher than the average risk of money laundering or terrorist financing. By establishing such policies and procedures, they will be in a better position to apply customer due diligence on a risk sensitive basis depending on the type of customer business relationship or transaction. The following safeguards are to be followed while accepting the clients:
  - No account is opened in a fictitious / benami name or on an anonymous basis.
  - 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



## **COMPOSITE SECURITIES LIMITED**

addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters should 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 KYC profile.

- Documentation requirement and other information to be collected in respect of different classes of clients depending on perceived risk and having regard to the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI and SEBI from time to time.
- Ensure that an account is not opened where the intermediary is unable to apply appropriate clients due diligence measures / KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, information provided to the intermediary is suspected to be non-genuine, perceived non-co-operation of the client in providing full and complete information. The market intermediary should not continue to do business with such a person and file a suspicious activity report. It should also evaluate whether there is suspicious trading in determining whether to freeze or close the account. The market intermediary should be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the market intermediary should consult the relevant authorities in determining what action it should take when it suspects suspicious trading.
- The circumstances under which the client is permitted to act on behalf of another person / entity should be clearly laid down. It should be specified in what manner the account should 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 the intermediary, as well as the person on whose behalf the agent is acting should be clearly laid down). Adequate verification of a person's authority to act on behalf the customer should also be carried out.
- 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.

### **3. Risk-based Approach**

- ❖ It is generally recognized that certain customers may be of a higher, medium or lower risk category depending on circumstances such as the customer's background, type of business relationship or transaction etc. As such, the CSL would apply each of the customer due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that the CSL would adopt an enhanced customer due diligence process for higher risk categories of customers. Clients are those who are speculative clients. These are the clients who maintain running account with CSL adopted for medium risk categories. Conversely, a simplified customer due diligence process may be adopted



## **COMPOSITE SECURITIES LIMITED**

for lower risk categories of customers. In line with the risk-based approach, the type and amount of identification information and documents that CSL would obtain necessarily depend on the risk category of a particular customer.

#### **4. Clients of special category (CSC):**

Such clients include the following:

- ❖ Non-resident clients
- ❖ High net worth 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, 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 centres, tax havens, countries where fraud is highly prevalent.
- ❖ Non face to face clients
- ❖ Clients with dubious reputation as per public information available etc.

#### **5. Client identification procedure:**

- ❖ Documentary requirements for opening the account are collected from the Client. As per the regulatory requirement and as per the status of the client viz, individual, HUF, corporate etc. The copies of the proofs mentioned below are collected from the Client.

##### **A) For Individual- Documentary requirements**

- Copy of PAN card
- Copy of proof of Address
- Proof of Bank account
- Copy of Client master of DP account
- Photo



## **COMPOSITE SECURITIES LIMITED**

### **B) For HUF**

- Copy of PAN card of HUF
- Copy of proof of Address
- Proof of Bank account
- Copy of PAN card of Karta
- Signatures of Karta with HUF stamp.

### **C) For Company**

- Copies of the balance sheet for the last 2 financial years (copies of annual balance sheet to be submitted every year)
- Copy of latest share holding pattern including list of all those holding more than 5% in the share capital of the company, duly certified by the company secretary/ Whole-time Director/MD.(Copy of updated shareholding pattern to be submitted every year)
- Copies of the Memorandum and Articles of Association in case of a company/Body Incorporate /Partnership deed in case of a partnership firm.
- Copy of the Resolution of board of directors' approving participation in equity/Derivatives/debt trading and naming authorized persons for dealing in securities.
- Photographs of Partners/Whole time directors, individual promoters holding 5% or more, either directly or indirectly, in the shareholding of the company and of persons authorized to deal in securities.
- Pan card copy of Directors/Partners
- Pan card copy, Address proof & Bank proof of company.
- Signatures with stamp.

### **D) For NRI**

- Passport copy
- Copy of RBI approval letter
- Copy of proof of Foreign Address
- Copy of proof of Local Address
- Pan card copy and Bank proof

Note-NRI clients cannot trade in F&O

### **E) For Trust**

- Copies of the balance sheet for the last 2 financial years (copies of annual balance sheet to be submitted every year)
- Copy of the Trust Deed.
- Copy of the Resolution of board of Trustees approving participation in equity/Derivatives/debt trading and naming authorized persons for dealing in securities.
- Photographs of Trustees.
- Id proofs of Trustees.



## COMPOSITE SECURITIES LIMITED

➤ Pan card copy, Address proof & Bank proof of Trust.

- ❖ All the proofs provided by the clients are verified with original
- ❖ The KYC is completed in all respects
- ❖ The PAN provided is verified from in the Income Tax India's web site.
- ❖ After successful documentation and verification the client's account is opened and a unique client code would be issued to him.
- ❖ The UCI details are then uploaded to the exchange and the client is enabled on the CSL trading network

### **Additionally:**

- ❖ The 'Know your Client' (KYC) policy should clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the intermediary – client relationship, while carrying out transactions for the client or when the intermediary has doubts regarding the veracity or the adequacy of previously obtained client identification data.
- ❖ In order to further strengthen the KYC norms and identify every participant in the securities market with their respective PAN thereby ensuring sound audit trail of all the transactions, PAN has been made sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction
- ❖ CSL would put in place necessary procedures to determine whether their existing/potential customer is a politically exposed person (PEP)/ high risk/ debarred entity etc. Such procedures would include seeking additional information from clients, accessing publicly available information etc.
- ❖ To obtain senior management approval for establishing business relationships with Politically Exposed Persons/ high risk/ debarred entity etc. Where a customer has been accepted and the customer or beneficial owner is subsequently found to be, or subsequently becomes a PEP/ high risk/ debarred entity etc., CSL would shall obtain senior management approval to continue the business relationship.
- ❖ We shall take reasonable measures to verify source of funds of clients identified as PEP/ high risk/ debarred entity etc.
- ❖ The client should be identified by the intermediary by using reliable sources including documents / information. The intermediary should obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- ❖ The information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the intermediary in compliance with the Guidelines. Each original documents should be seen prior to acceptance of a copy.



## **COMPOSITE SECURITIES LIMITED**

- ❖ Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the higher authority within the intermediary.
- ❖ SEBI has prescribed the minimum requirements relating to KYC for certain class of the CSL would from time to time as stated earlier in this para. 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, all CSL would frame their own internal guidelines based on their experience in dealing with their clients and legal requirements as per the established practices. Further, the intermediary should also maintain continuous familiarity and follow-up where it notices inconsistencies in the information provided. The underlying objective should be to follow the requirements enshrined in the PML Act, 2002 SEBI Act, 1992 and Regulations, directives and circulars issued there under so that the intermediary is aware of the clients on whose behalf it is dealing.

### ❖ **Document acceptance and In-Person-Verification**

#### ➤ **Document acceptance:**

- The Intermediaries shall collect the documents prescribed for clients belonging to different categories and perform initial KYC of clients. The intermediaries shall upload scanned images of the KYC application form and supporting documents to the KRA within 10 working days from the date of execution of documents by the client. The physical documents need not to send to KRA.
- The KYC documents uploaded by the intermediary should match with the details provided in the KYC form and should be valid at the time of submission. In case any discrepancy in the KYC uploaded by the intermediary, the KRA shall inform the intermediary who shall forward the required documents/information duly scanned promptly to KRA.
- Permanent Account Number (PAN) card is mandatory for all types of entities. Those entities belonging to the PAN exempted cases will be required to enter the appropriate exemption codes.
- The PAN card details submitted by the entity shall be verified with the details appearing on the website of the Income Tax Department. i.e. <http://incometaxindiaefiling.gov.in/challan/enterpanforchallan.jsp>
- In case there is major mismatch in the name appearing in the PAN card & name mentioned in KYC form then the investor should submit additional self-attested copy of some other document forming part of the Proof of Identity (POI).
- The photocopies of the KYC documents submitted by the entity shall be self-attested by the client. The intermediaries shall verify the photocopies of the documents against the original. In case the original of any document is not produced for



## **COMPOSITE SECURITIES LIMITED**

verification, then the copies shall be properly attested by the officials authorized to do so. The verified copies of the documents shall bear the stamp “Verified with Original” and the authorized official shall sign under the stamp of the entity along with his name and designation.

### ➤ **In-person verification (IPV)**

- It is mandatory for the intermediary to carry out In-Person-Verification of their clients.
- The intermediary shall ensure that the details like name of the person carrying out IPV, his designation, organization with his signatures and date are recorded on the KYC form at the time of IPV.
- In-person-verification by one SEBI registered intermediary can be relied upon by another intermediary.
- In case of Stock brokers, their sub-brokers or Authorized Persons (appointed by the stock brokers after getting approval from the concerned Stock Exchanges in terms of SEBI Circular No. MIRSD/DR-1/Cir-16/09 dated November 06, 2009) can perform the IPV.
- An authorized official of the entity shall verify the photograph(s) affixed in the KYC form and proof of identity document(s) with the person concerned. After due verification, the intermediary shall ensure that the details like name of the person doing IPV his, designation, organization with his signatures and date are recorded on the KYC form at the time of IPV.
- The intermediary shall accept the duly completed KYC form along with relevant documents and give an acknowledgement to the entity duly signed and stamped. The person doing the IPV can also verify the documents submitted for the KYC.
- The intermediary shall print a dispatch list giving details of all KYCs done. They shall be forwarded KYC forms to the KRA along with the supporting documents or upload scan images.
- Client may start trading /investing /dealing with the intermediary as soon as the initial KYC is done and other necessary information is obtained while the remaining process of KRA is in progress.

- ❖ It may be noted that while risk based approach may be adopted at the time of establishing business relationship with a client, no exemption from obtaining the minimum information/documents from clients as provided in the PMLA Rules is available to brokers in respect of any class of investors with regard to the verification of the records of the identity of clients.

### **6. Record Keeping**

- ❖ CSL would 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.



## COMPOSITE SECURITIES LIMITED

- ❖ CSL would 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 behaviour.
- ❖ 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, CSL would 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.
- ❖ CSL would 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.
- ❖ More specifically, CSL shall put in place a system of maintaining proper record of transactions prescribed under Rule 3, notified under the Prevention of Money Laundering Act (PMLA), 2002 as mentioned below:
  - All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
  - All series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
  - All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
  - All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.



## **COMPOSITE SECURITIES LIMITED**

### **7. Information to be maintained**

CSL will maintain and preserve the following information in respect of transactions referred to in Rule 3 of PMLA Rules:

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

### **8. Retention of Records**

- ❖ CSL should take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PMLA Rules have to be maintained and preserved for a period of five years from the date of cessation of the transactions between the client and intermediary.
- ❖ As stated in para 5, CSL will formulate and implement the client identification program containing the requirements as laid down in Rule 9 and such other additional requirements that it considers appropriate. The records of the identity of clients have to be maintained and preserved for a period of five years from the date of cessation of the transactions between the client and intermediary.
- ❖ Thus the following document retention terms should be observed:
  - All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period prescribed under the relevant Act (PMLA, 2002 as well SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars.
  - Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the same period.
- ❖ 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.

### **9. Monitoring of transactions**

- ❖ Regular monitoring of transactions is vital for ensuring effectiveness of the Anti Money Laundering procedures. This is possible only if the intermediary has an understanding of the normal activity of the client so that they can identify the deviant transactions / activities.



## **COMPOSITE SECURITIES LIMITED**

- ❖ Intermediary should pay special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose. The intermediary may specify internal threshold limits for each class of client accounts and pay special attention to the transaction which exceeds these limits.
- ❖ The intermediary 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 intermediary 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.

### **10. Suspicious Transaction Monitoring & Reporting**

- ❖ CSL would ensure to take appropriate steps to enable suspicious transactions to be recognised and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, CSL would be guided by definition of suspicious transaction contained in PML Rules as amended from time to time.
- ❖ A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:
  - Clients whose identity verification seems difficult or clients appears not to cooperate
  - Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;
  - Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
  - Substantial increases in business without apparent cause;
  - Unusually large cash deposits made by an individual or business;
  - Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
  - Transfer of investment proceeds to apparently unrelated third parties;
  - Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks /financial services, businesses reported to be in the nature of export-import of small items.



## **COMPOSITE SECURITIES LIMITED**

- ❖ Any suspicion transaction should be immediately notified to the Money Laundering Control Officer or any other designated officer within the intermediary. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it should be ensured that there is continuity in dealing with the client as normal until told otherwise and the client should not be told of the report/suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken.
- ❖ It is likely that in some cases transactions are abandoned/aborted by customers on being asked to give some details or to provide documents. It is clarified that CSL would report all such attempted transactions in STRs, even if not completed by customers, irrespective of the amount of the transaction.

### **11. Reporting to Financial Intelligence Unit-India**

- ❖ In terms of the PMLA rules, CSL will 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>

- ❖ CSL would carefully go through all the reporting requirements and formats enclosed with this circular. These requirements and formats are divided into two parts- Manual Formats and Electronic Formats. Details of these formats are given in the documents (Cash Transaction Report- version 1.0 and Suspicious Transactions Report version 1.0) which are also enclosed with this circular. These documents contain detailed guidelines on the compilation and manner/procedure of submission of the manual/electronic reports to FIUIND. The related hardware and technical requirement for preparing reports in manual/electronic format, the related data files and data structures thereof are also detailed in these documents. If CSL is not in a position to immediately file electronic reports, may file manual reports to FIU-IND as per the formats prescribed. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, intermediaries should adhere to the following:
  - The cash transaction report (CTR) (wherever applicable) for each month should be submitted to FIU-IND by 15th of the succeeding month.
  - The Suspicious Transaction Report (STR) should 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 should 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 will be responsible for timely submission of CTR and STR to FIU-IND;



## COMPOSITE SECURITIES LIMITED

- Utmost confidentiality should be maintained in filing 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.
- ❖ CSL would not put any restrictions on operations in the accounts where an STR has been made. Intermediaries and their directors, officers and employees (permanent and temporary) should be prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND. Thus, it should be ensured that there is no tipping off to the client at any level.

### **12. Designation of an officer for reporting of suspicious transactions**

To ensure that the CSL would properly discharge their legal obligations to reports 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. Names, designation and addresses (including e-mail addresses) of ‘Principal Officer’ including any changes therein shall also be intimated to the Office of the Director-FIU. As a matter of principle, it is advisable that the ‘Principal Officer’ is of a sufficiently higher position and is able to discharge his functions with independence and authority.

#### **Details of Principal Officer**

Participant Name	Name of Designated Director	Designation	Address	Direct Tel. No.	Mobile Number	Email ID	Date of Intimation to FIU India
Composite Securities Limited	S. K. Aggarwal	Director	307, Kanchenjunga Building, 18 Barakhamba Road, New Delhi – 110001	011-43507503	9999880736	<a href="mailto:skaggarwal@composite.co.in">skaggarwal@composite.co.in</a>	01-07-2011

### **13. Designation of an officer for reporting of compliance with the obligations**

To ensure that the CSL would properly discharge their compliance obligations to the authorities, the Designated Director would act as a central reference point in facilitating onward reporting of compliance obligations and for playing an active role in the identification and assessment of potentially compliance obligations. Names, designation and addresses (including e-mail addresses) of ‘Designated Director’ including any changes therein shall also be intimated to the Office of the Director-FIU.

#### **Details of Designated Director:**

Participant Name	Name of Designated Director	Designation	Address	Direct Tel. No.	Mobile Number	Email ID	Date of Intimation to FIU India
Composite Securities Limited	Sanjeev Dhupar	Director	307, Kanchenjunga Building, 18 Barakhamba Road, New Delhi – 110001	011-43507503	9811807804	<a href="mailto:sanjeev@composite.co.in">sanjeev@composite.co.in</a>	29-05-2014



## **COMPOSITE SECURITIES LIMITED**

### **14. Employees' Hiring/Employee's Training/Investor Education**

#### **❖ Hiring of Employees**

The CSL would have adequate screening procedures in place to ensure high standards when hiring employees. They should identify the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

#### **❖ Employee Training**

Intermediaries must have an ongoing employee training programme so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements should have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind these guidelines, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

#### **❖ Investors Education**

Implementation of AML/CFT measures requires intermediaries to demand certain information from investors which may be of personal nature or which 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 customer with regard to the motive and purpose of collecting such information. There is, therefore, a need for intermediaries to sensitize their customers about these requirements as the ones emanating from AML and CFT framework. Intermediaries should prepare specific literature/ pamphlets etc. so as to educate the customer of the objectives of the AML/CFT programme.