

Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT)

An Investor Awareness Note

This is an investor education initiative undertaken to make investors aware about AML/CFT framework. As participants in the securities market, it would help you to familiarize yourselves with the contents of this communication. In the light of the basic information provided herein, we encourage you to read more on the topic of AML-CFT and strengthen your understanding on this subject.

Money Laundering

Money laundering is the process of making dirty money look clean. It is a process of conversion or transfer of property and assets, which are derived from criminal or illegal activity, with a view to conceal or disguise its illicit origin or to assist any person who is involved in commission of the crime to evade the legal consequences of his or her actions. Money Laundering is used for 'washing' the money to make it "clean" or "white" and avoiding prosecution, conviction and confiscation of the funds, properties or assets generated through illegal acts and means. It also enables criminals to use these monies without jeopardising the source.

For example: Money derived from drug trafficking, arms or contraband dealing, insider trading, bribery, embezzlement is put into long term investments and finally made to look like clean money.

Terrorist Financing

Terrorist financing is the financing of terrorist organizations and individuals with or without a link to specific terrorist acts. To finance their activities, terrorist groups rely on multiple revenue streams, including criminal activity, such as kidnapping for ransom, extortion, and drug trafficking; donations directly from individuals and those funnelled through charitable organizations.

Process of Money Laundering

Money laundering often involves a complex series of transactions that are difficult to separate.

The process of money laundering involves three stages:

Stage One: Placement - The physical disposal of cash or other assets derived from illegal activities.

Stage Two: Layering - The separation of illicit proceeds from their source by layers of financial transactions intended to conceal the origin of the proceeds.

Stage Three: Integration – Placing the laundered money back into the economy in such a way that they re-enter the financial system as intrinsic part and parcel of the financial system, thereby appearing to be legitimate business funds.

Importance of Anti Money Laundering and Counter-terrorism Financing measures

The ability to launder the proceeds of criminal activity through the financial systems of the world is vital to the success of criminal operations, and therefore India, as one of the world's emerging financial markets, has an important role to play in combating money laundering.

Legal Framework for AML and CFT

India's Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) framework was introduced in the form of the Prevention of Money Laundering Act, 2002 (PMLA) which was brought into force w.e.f. 1st July, 2005.

PMLA is applicable to banks, financial institutions and all SEBI registered intermediaries such as Depository Participants, Stock Brokers, Investment Advisers, Portfolio Managers, Merchant Bankers etc. Bob Caps is a SEBI registered intermediary and hence is required to follow the guidelines issued by SEBI from time to time. Investors may refer SEBI's master circular no. SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/113 dated October 15, 2019 as amended from time to time, on SEBI's website. (<http://www.sebi.gov.in>).

Obligations of BoB Caps

The purpose of implementing AML/CFT measures is to stop criminals and terrorists from abusing the financial system. A vigilant financial system enables the law enforcement to catch criminals and arrest crime by ensuring criminals are unable to effectively use or channelize the funds they make from illicit sources.

As an intermediary, BOB Capital Markets Limited ("BOB Caps") is required to devise and implement various AML and CFT policies like KYC policy, Risk policy, customer identification and due-diligence policy. Proper KYC processes will help BOB Caps to know and understand its customers and their financial dealings better, which in turn would help Bob Caps manage its risks prudently, to protect the interests of its genuine customers and to ensure good governance.

BOB Caps is required to have a proper screening procedure to ensure that illegitimate money does not enter the securities markets using false identities, false addresses and benami accounts. It is required to follow a risk-based approach, without compromising on due diligence at the time of client registration as well as on an ongoing basis during the lifetime of association with its clients.

Your Obligations

We endeavour to give our clients a crime-free AML-compliant ecosystem and a cordial and healthy business relationship. But for this, we need your co-operation too. Here is an illustrative (not exhaustive) list of your obligations towards helping us comply with the regulations.

- You shall be required to provide details / information as may be required from time to time.
- Provide valid documents to prove your identity and address
- Provide your accurate contact information including mobile No, email id etc
- Provide accurate information about your occupation and its nature; for eg; if you are carrying on a business, you should be informing us not only the name of your business but also as to what the nature and product-line of your business is.
- Provide accurate information about your financials. For eg; provide updated information regarding your annual income and networth etc.
- Co-operate with us when we seek additional information or documents in connection with your trades, holdings etc
- Let us know the real rationale / purpose for certain transactions or trades undertaken by you when we make inquiries.
- Immediately inform us as and when there is a change in the information that you have provided us along with supporting documents wherever required. Please do this proactively.
- Update your KYC information with us or co-operate with us when we remind you that a KYC updation is due from your end.
- Implementation of AML/CFT measures at times may require us to demand certain information from clients, which may be of personal nature or has hitherto never been called for or which are beyond the standard checklists. Such information can include documents evidencing source of funds/income tax returns/bank records, salary slips, explanation on certain transactions, details of relatives or of family or of known transferees of funds or securities, etc. Please provide such information when called for.
- If you have any suspicion regarding the authenticity of the request or the authenticity of the person seeking such information from you, you may alert the Compliance Officer by writing to compliance@bobcaps.in

We solicit your active co-operation to provide any other additional information / documents. This will help us to comply with our regulatory obligations.