

NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED
Member Compliance Guide - Anti Money Laundering

The Prevention of Money Laundering Act, 2002 (PMLA), which forms the core of the legal framework put in place by India to combat money laundering, came into force with effect from July 1, 2005. To keep it compatible with the demands of the changing times and for its effective implementation, the said Act has been amended on regular basis and various rules have been notified under the said Act.

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| <p>Requirement in summary</p> | <ol style="list-style-type: none"> 1. Appointment of Principal Officer: To ensure that the registered intermediaries properly discharge their legal obligations to report 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 and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors. Names, designation and addresses (including email 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 senior position and is able to discharge the functions with independence and authority. 2. Appointment of a Designated Director: In addition to the existing requirement of designation of a Principal Officer, the registered intermediaries shall also designate a person as a 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules, the definition of a Designated Director reads as under: "Designated director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes – <ol style="list-style-type: none"> a) the Managing Director or a Whole-Time Director duly authorizes by the Board of Directors if the reporting entity is a company, b) the managing partner if the reporting entity is a partnership firm, c) the proprietor if the reporting entity is a proprietorship firm, d) the managing trustee if the reporting entity is a trust, e) a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and f) such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above." <p>In terms of Section 13 (2) of the PMLA, the Director, FIU – IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of the intermediary to comply with any of its AML/CFT obligations.</p> |
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| | <p>Registered intermediaries shall communicate the details of the Designated Director, such as, name designation and address to the Office of the Director, FIU – IND.</p> <p>2. Customer Due Diligence: Members should have adequate controls and procedures in place. Adequate due diligence on new and existing customers is a key part of such controls. Members are directed to ensure compliance with the Due Diligence requirements relating to Customer Acceptance Policy, Customer Identification Policy, Monitoring of transactions and tracking and reporting of suspicious transactions.</p> <p>3. Reporting of Transactions to Financial Intelligence Unit- India:</p> <p>(a) The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.</p> <p>(b) 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 shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion.</p> <p>(c) The Non-Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month.</p> <p>(d) The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;</p> <p>(e) Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND.</p> <p>(f) No nil reporting needs to be made to FIU-IND in case there are no cash/suspicious/non-profit organization transactions to be reported.</p> |
| Applicability | These guidelines are applicable to all Members including those who do only proprietary trades |
| Pre-funded Instruments | <p>If the aggregate value of the pre-funded instruments is ₹ 50,000 (Rs. Fifty Thousand) or more per client per day, the Member may accept the instruments only if the same are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank. The mode of certification may include the following:</p> <p>(a) Certificate form the issuing bank on its letter-head or on plain paper with the seal of the issuing bank;</p> <p>(b) Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument;</p> |

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| | <p>(c) Certified copy of the pass book/ bank statement for the account debited to issue the instrument;</p> <p>(d) Authentication of the bank account number debited and name of the account holder by the issuing bank on the reverse of the instrument.</p> <p>SEBI Circular no. CIR/MIRSD/03/2011 dated June 09, 2011</p> |
| High value transactions | <p>All cash transactions of the value of more than Rs 10 lakh or its equivalent in foreign currency.</p> <p>All series of cash transactions integrally connected to each other which have been valued below ₹ 10 lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency.</p> <p>All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any nonmonetary account such as demat account, security account maintained by the registered intermediary.</p> |
| Electronic Fund Transfer | <p>Members shall maintain an audit trail of the funds received through Electronic Fund transfers to ensure that the funds are received from their clients only</p> |

References:

SEBI Circular no.CIR/MIRSD/2/2013 dated January 24, 2013
 SEBI Circular no.CIR/MIRSD/1/2014 dated March 12, 2014
 Exchange Circular no.168 of 2018