

Policies and Procedures

Pocketful AML and CFT Policy

1. Background

SEBI vide circular dated 18th January 2006, along with all its updates, requires all 'Market intermediaries' to lay down a policy framework for anti-money laundering measures to be followed. EBI has also issued a Master circular dated 19th December 2008, which consolidates all the requirements/obligations issued with regard to AML/CFT, last updated on February 3, 2023. Pocketful Fintech Capital Private Limited (hereinafter "Pocketful ") being a Stock Broker and therefore a market intermediary, is required to adhere to the Master Circular.

2. Objective

The objective of this PMLA policy is to have a system in place for preventing any money laundering financial transactions through Pocketful , and to identify, monitor, and report any such transaction to appropriate authorities.

"Know Your Customer "(KYC) is the guiding principle behind the Anti-Money Laundering (AML) measures. It incorporates the "Know Your Customer" Standards & "Anti Money Laundering" Measures, hereinafter to be referred to as "KYC Standards" and "AML Measures". The objective is to have in place adequate policies, practices and procedures that promote high ethical and professional standards and prevent Pocketful from being used, intentionally or unintentionally, by criminal elements. KYC Standards and AML Measures would enable Pocketful to know/ understand its customers, the beneficial owners, the principals behind customers who are acting as agents and their financial dealings better which in turn will help Pocketful manage its risks prudently.

The management of the company is fully committed to establish appropriate policies and procedures for ensuring effectiveness and compliance

concerning all relevant legal requirements, and undertakes to periodically review the policies.

3. Regulatory requirements

Mr. Randhir Kumar Chaudhari, Pocketful's Compliance Head is the Principal Officer responsible for ensuring the proper discharge of all legal requirements and for:

- Compliance of the provisions of the PMLA and AML guidelines
- Acting as a central reference point and play and active role in identification & assessment of potential suspicious transactions
- Ensuring that Pocketful discharges its legal obligation to report suspicious transactions to concerned authorities.

This policy is in relation to customer due diligence, which means:

- Obtaining sufficient information about the client to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted
- Verify the customers identity using reliable independent source document, data or information
- Conduct on-going due diligence and scrutiny of the account/ client to ensure that the transaction conducted are consistent with the clients' background/ financial status, its activities, and risk profile.

The customer due diligence process includes three specific parameters:

- Policy for acceptance of clients: Each client should be met in person or complete KYC must be done online. No account may be opened in a fictitious/benami name or on as an anonymous account.
- Suspicious transaction identification and reporting: Any unusual activity compared to past transactions of a client, sudden activity in dormant accounts, or a sudden increase in volume or value transactions is classified as suspicious transactions. These shall be reported to the SEBI and any other person as laid down in applicable law.
- Central Depository Securities Limited (CDSL) communique no. CDSL/OPS/DP/POLCY/2017/176 dated April 05, 2017 and CDSL/OPS/DP/POLCY/2017/354 dated July 18, 2017, and all other applicable regulations advise that beneficial owners should submit/update their Aadhar with the their Depository Participant. Please ensure that you update your Aadhar with Pocketful as per these applicable regulations.

4. Client identification

Before opening any account with us, the following measures shall be taken:

- a. In-person or complete online KYC verification of the client,

- b. Identify beneficial ownership and control, i.e., determine the persons who beneficially own/control the account,
- c. Collect information about the Client's background, and occupation and also determine the introducer, if any,
- d. Collect and verify all original documents from the client,
- e. Collect a certified copy of valid documents showing details of his permanent address, current address, PAN, nature of his occupation, and financial status and a recent photograph,
- f. For clients trading in F&O segment, documentary proof of his financial details will be collected, determined by policies from time to time,

g. Corporate clients:

- Collect copies of the certificate of incorporation, the memorandum of association and other documents required by SEBI, and
- collect adequate information of the persons authorised to deal on behalf of the company.

5. KYC updating process

- a. All corporate clients must submit their annual report to Pocketful every year.
- b. In the case of individual clients, each Client's master details shall be sent to the client, who will then confirm that the details are updated correctly, or shall revise or provide details as required. He shall also specify his present occupation and financial income details per annum in the same declaration.
- c. No account shall be opened if the client is unable to or refuses follow the KYC related required.
- d. The information shall be adequate to satisfy competent authorities (regulatory/enforcement authorities) in the future that due diligence was observed by Pocketful in compliance with the Guidelines.
- e. Failure by a prospective client to provide satisfactory evidence of identity should be noted and reported to the Principal Officer.
- f. Further, Pocketful should follow up with clients where inconsistencies in the information provided are found, until the client corrects the inconsistencies or provides reasonable proof for the same.

6. Client categorisation

1. Each client will be marked into 3 categories, High Risk, Medium Risk and Low Risk from the point of view of the anti money laundering laws. The categorization will be made based on the following parameters/ factors of risk perception: nature of business activity, trading turnover per day, manner of making payments on Pocketful's platforms, etc. Pocketful shall internally mark the risk category of each client, and high-risk clients will require regular KYC updates as determined by Pocketful.
2. Risk profiling may also vary for high net-worth individuals, trusts, non-profits, charitable organizations, and companies with close family shareholdings.
3. As a general rule, clients who make payments on time and take delivery of shares may be considered low risk.

7. Suspended Persons

SEBI and other authorities suspend or debar persons / entities from participating in the securities market on several instances. Pocketful as a broker are required to ensure that such persons do not trade through us, and shall not be liable for any such blocking or closure of accounts.

8. Role of Compliance Team & Internal Audit:

a. The compliance team will play an important role in ensuring compliance of the above policies and procedures. The account opening team will exercise adequate due diligence while onboarding clients. There will be periodic checking by the Principal Officer and the same report will be properly filed by Pocketful.

b. Here is a system of concurrent audit, which will also include ensuring compliance of the

- Due diligence in KYC norms.
- Generation of exception reports
- Trading in dormant client codes
- Level of awareness of staff

9. Risk Management

a. Pocketful follows a risk based approach for mitigation and management of any identified risk. Pocketful monitors its policies and may enhance policies if necessary.

b. Client due diligence is undertaken on a risk sensitive basis.

10. Transaction monitoring

- a. Pocketful has undertaken measures to understand the normal and standard activities of each client, to be able to understand deviation in transaction and activities.
- b. Pocketful shall specifically note complex and unusually large transactions / patterns which appear to have no economic purpose.
- c. Pocketful shall ensure retention of records as required under the PMLA and all other applicable laws.

11. Illiquid Securities

The Exchanges specifies a list of Illiquid Securities wherein higher due diligence is to be exercised by brokers. The trade pattern in such scrips by our clients is monitored. We may seek clarifications or justifications from the client in case of a high volume of trades in any scrip compared to the exchange volumes.

12. Employee Training

Pocketful has a policy for ongoing employee training so that the staff of Pocketful are always aware of the provisions of AML and CFT procedures and amendments thereof. These training programmes are focused on our customer support staff, back office staff, compliance staff, risk management staff and staff dealing with new customers as it is very 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. A register of attendance of participation in such education and training programs is maintained as records, kept secured with the Compliance Department.