



ANTI MONEY LAUNDERING AWARENESS – EDUCATING CLIENTS ABOUT AML PROVISIONS

This is a must read / understood and to be complied with by everybody dealing / desirous of dealing in Capital and / or Derivatives (including Currency Derivatives).

1. Prevention of Money Laundering Act, 2002 (PMLA) is enacted to prevent financing of terrorism and laundering of money, i.e., preventing legalization or canalization of money generated from illegal activities such as drug trafficking, organized crimes, hawala rackets and other serious offences.
2. PMLA forms part of global measures adopted by countries under the initiatives of the United Nations.
3. It is an obligation of individuals/entities to whom PMLA is applicable to report certain types of transactions routed through them to the Financial Intelligence Unit (FIU), a department set up under the Ministry of Finance to administer PMLA.
4. PMLA is, inter-alia, applicable to various intermediaries including stock brokers, commodity brokers, sub-brokers, authorised persons and depository participants.
5. As per PMLA, the following types of transactions are required to be reported to FIU:
 - All cash transactions exceeding ₹10 Lakhs or its equivalent in foreign currency.
 - All series of cash transactions integrally connected to each other valued below ₹10 Lakhs or its equivalent in foreign currency, where such transactions occur within one calendar month.
 - All suspicious transactions, whether or not made in cash, including credits or debits into any non-monetary accounts such as demat accounts.
6. Any such transaction(s), even if attempted but not executed, are also required to be reported.
7. Suspicious transactions may include circumstances such as:
 - Clients whose identity verification is difficult or who appear non-cooperative.
 - Asset management services where source of funds is unclear or inconsistent with client's profile/business activity.
 - Clients based in high-risk jurisdictions.
 - Substantial increase in business without apparent cause.
 - Transfer of large sums to/from overseas locations with instructions for payment in cash.
 - Attempted transfer of investment proceeds to unrelated third parties.
 - Business undertaken by offshore banks/financial services.
 - Businesses reported as export/import of small items.
 - Unusual transactions by Clients of Special Categories (CSCs).
8. Clients of Special Categories (CSC) include:
 - Non-resident clients.
 - High net-worth clients (annual income + net worth exceeding ₹1 Crore).
 - Trusts, Charities, NGOs and organizations receiving donations.
 - Companies with close family shareholding or beneficial ownership.
 - Civil servants or their family members/close relatives.
 - Bureaucrats or their family members/close relatives.
 - Current or Former MPs/MLAs/MLCs or their family members/close relatives.
 - Politicians or their family members/close relatives.
 - Current or Former Heads of State/Government or their family members/close relatives.

VERIQUIS PARTNERS PRIVATE LIMITED

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- Senior government/judicial/military officers or their family members/close relatives.
 - Senior executives of state-owned corporations or their family members/close relatives.
 - Companies offering foreign exchange services.
9. While opening new accounts, all prescribed KYC and Client Identification procedures must be strictly followed to ensure compliance under PMLA.
 10. Records of transactions and client identification must be preserved in a manner that allows prompt retrieval and reporting to authorities in the specified format whenever required.
 11. Clients are advised to be fully conversant with the provisions of PMLA and any amendments thereto and to cooperate with intermediaries by providing additional information/documents when requested.
 12. Clients may be required to provide personal information and documents such as source of funds, income tax returns, bank records, etc. Clients are advised to cooperate whenever such information is sought for PMLA compliance.
 13. Clients are advised to remain vigilant and refrain from seeking easy monetary gains that may directly or indirectly support unlawful activities harmful to the nation. Clients are expected to actively cooperate in lawful compliance.
 14. For further information, clients may visit the websites of the Financial Intelligence Unit (www.fiuindia.gov.in) and the Securities and Exchange Board of India (www.sebi.gov.in).

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