

**General Note about Anti Money Laundering to Investors of Stock Market / Clients of Khajanchi and Gandhi Stock Broking Pvt. Ltd.**

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**Q: What is Money Laundering?**

**The same may include (but not limited to) the following:**

- To conceal or hide financial assets with a view to use it without detection of its source or obtained through illegal activity / source
- To try to hide the true source of proceeds of illegal/criminal activity
- To convert illegally earned income in to another form so that it appears as a legitimate income
- To employ or apply a medium through which dirty money inserted or to be inserted in the financial system and make such money look clean.
- Money is circulated around the financial system in such a way that its ancestry gets hidden.

**Q: Following activities can be considered as Illegal / Criminal Activity**

**The same may include (but not limited to) the following:**

- Terrorism
- Fraud
- Black mailing
- Corruption
- Forgery
- Smuggling
- Extortion, Prostitution and gambling
- Robbery
- Kidnapping
- Tax Evasion
- Drug Trafficking
- Generation of black money by any other means

**Q: What are the stages of Money laundering?**

- i. Placement: It is an initial stage in which money from criminal activities is placed in financial institution. It may be through various methods viz. arranging or breaking up currency transactions in to portion which falls below reporting threshold for specific purpose to avoid reporting requirements.
- ii. Layering: It is a process of conducting a complex series of financial transactions with a purpose of hiding origin of money and hindering any attempt to trace the funds. It may include multiple trades for security,

Purchase of financial product such as Life Insurance or purchase of legitimate businesses.

- iii. Integration: It is the last and final stage in the re-injection of the laundered proceeds back in to the economy in such a way that they re-enter the financial system as normal business funds.

**Q: What are the consequences of Money Laundering?**

**The same may include (but not limited to) the following:**

- Finances terrorism
- Encourage crime
- Endangers society at large
- Weakening of macro economic factors of country
- Affects the integrity of the financial system
- Government control on economy reduces
- Weakening of Law & Order

**Q: Prevention of Money Laundering Act, 2002**

- Prevention of Money Laundering Act, 2002 (PMLA) came into force with effect July 01, 2005
- PMLA forms the core of the legal framework put in place by India to combat money laundering.
- PMLA defines money laundering offence and provides for the freezing, seizure and confiscation of the proceeds of crime.
- Financial Intelligence Unit-India (FIU-IND) established in 2004
- FIU-IND acts as a central repository for maintaining national database of reports submitted by reporting entities & has power to investigate.

**Q: Objectives of AML programme**

- Ensuring that financial institutions including intermediaries are not vulnerable to infiltration or abuse by organized crime groups
- Building capacity to fight terrorism and trace terrorist money
- Meeting binding international obligations and avoiding the risk of sanctions or other actions by the international community
- Avoid becoming heaven for criminals
- Securing a more transparent and stable financial system that is attractive to foreign investors

## **Q: Obligation of the Customer**

- To provide full / complete and correct / accurate details during KYC process including:
  - Address Proof
  - Identity Proof
  - PAN
  - Income Details

It is also your duty to promptly notify us or regularly update of any changes in your:

- ✓ Contact details
- ✓ Financial details
- ✓ Occupational details

Also please note that the transactions executed by you should be commensurate with the disclosed income details. In case of any requirements, please provide requested explanations/details for suspicious transactions.

We as one of the intermediary in the securities market, request you to promptly notify us, in case you come across any activity related to PMLA violation so that we can play a suitable role in protecting our country by maintaining proper AML standards and overall safety to the nation.

Disclaimer: Please note that the above is the brief idea provided to you as per our understanding without any risk or responsibility on part. For further clarification / guidance, we request you to kindly go through the provisions of Prevention of Money Laundering Act, 2002 (PMLA), various rules and regulations framed there under, notification, guidelines, circulars etc. issued there under.