

## CIRCULAR

**CIR/ISD/AML/2/2010 June 14, 2010**

To all Intermediaries registered with SEBI under Section 12 of the SEBI Act. (Through the stock exchanges for stock brokers, sub brokers, depositories for depository participants, AMFI for Asset Management Companies.)

**Sub; Anti Money Laundering (AMD Standards/Combating Financing of Terrorism (CFT)/ Obligations of Securities Market Intermediaries under Prevention of Money Laundering Act, 2002 and Rules framed there-under.**

1. SEBI, vide Master Circular No. ISD/AML/CIR-1/2010 dated February 12, 2010, issued consolidated requirements/obligations to be fulfilled by all registered intermediaries with regard to AML/CFT. In addition to the obligations contained in the Master Circular, following are the additional requirements to be fulfilled or the clarifications with regard to existing requirements:
  - a. Clause 3.2.3 (f) of the Master Circular lays down obligations to establish policies and procedures with regard to role of internal audit. It is clarified that the internal audit function should be independent, adequately resourced and commensurate with the size of business and operations, organization structure, number of clients and other such factors.
  - b. The following clause numbered 5.1(f) is added after the existing clause 5.1(e) of the Master Circular: "Registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process".
  - c. The following new clause numbered 5.2.1(g) is added after the existing clause 5.2.1 (f) of the Master Circular: "The CDD process should necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT)".
  - d. The following line is added in the existing clause 5.3.1 of the Master Circular: "Further low risk provisions should not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk."
  - e. While dealing with clients in high risk countries where existence/effectiveness of money laundering control is suspect, it is clarified that apart from being guided by the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website ([www.fatfgafi.org](http://www.fatfgafi.org)), registered intermediaries should independently access and consider other publicly available information.
  - f. Clause 5.5(a) of the Master Circular shall read as follows: "All registered intermediaries shall proactively put in place appropriate risk management systems to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures should include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPS. Further, the enhanced CDD measures as outlined in clause 5.5 should also be applicable where the beneficial owner of a client is a PEP".
  - g. The existing clause 5.5(c) of the Master Circular shall read as follows:  
"Registered intermediaries shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP".
  - h. Clause 8.2 of the Master Circular prescribes that intermediaries shall maintain the records of the identity of clients prescribed in Rule 9 of the PML Rules for a period of 10 years from the date of cessation of transactions between the client and intermediary. It is clarified that the "date of cessation of transactions" shall be read to mean the "date of termination of an account or business relationship".
  - i. It is clarified that the "tipping off provision in clause 13.3 of the Master Circular extends not only to the filing of the STR and/or related information but even before, during and after the submission of an STR.

 Client's Sign : \_\_\_\_\_

Date : \_\_\_\_\_

**NON-MANDATORY CLAUSES - ADDENDUM TO AGREEMENT****Additional terms and conditions for the purpose of mutual convenience and smooth conduct of business-relations**

(As permitted under para # 3 of the SEBI Circular Ref. No. SEEI/MIRSD/DPS-I/Cir-31/2004 dated August 26, 2004)

This document outlines various clauses framed and followed by **M/S. Ohm Stock Broker Pvt. Ltd.** (Stock Broker) with respect to its dealing with its clients and as a stock broker on Bombay Stock Exchange Ltd. ("BSE") & National Stock Exchange Ltd. ("NSE")

1. The Client agrees that, it shall not, acting alone or in concert with others, directly or indirectly, hold and control excess number of permitted Derivatives/F&O contracts as fixed/specified by the Stock Exchange from time to time.
2. The Stock Broker may appoint from time to time any person(s)/agency(ies) at its sole and absolute discretion to undertake the verification of the Client's identity and address for conducting the Client's due diligence, outsourcing of operational activities including but not limited to various statements/reports relating to Clients and/or for carrying out the acts mentioned in or in relation to this agreement. The Client hereby give his/her/its consent to the Stock Broker to undertake the verification of the Client's identity and address, outsourcing of operational activities and or to disclose all his/her/its information to such person(s)/agency(ies) appointed by the Stock Broker.
3. The Client hereby agrees to pay such interest free security deposits as may be decided by the Stock Broker from time to time. This deposit may be refunded only one year after the Client discontinues his/her/its dealing with the Stock Broker to safeguard against future liabilities.
4. The Stock Broker and/or its employees shall not be liable for the losses, if any, caused by the Client, either directly or indirectly, by Government restriction, Stock Exchanges or market rulings, suspension of trading, war, earthquake, flood, accident, power failure, equipment or software malfunction, strikes or any such unforeseen circumstances beyond the control of Stock Broker.
5. The Client hereby undertakes to indemnify and keep the Stock Broker, indemnified and harmless from and against all claims, demands, actions, proceedings, loss, damages, liabilities, charges and/or expenses that are occasioned or may be occasioned to the Stock Broker directly or indirectly, owing to bad delivery of shares/ securities and/or as a result of fake/forged/stolen/ transfer documents that are introduced or that may be introduced by or through the Client during the course of his/her/its dealing/operations on the Stock Exchange through the Stock Broker.
6. All monies, securities or other property, which the Stock Broker may hold on Client account, shall be held subject to a general lien for the discharge of Client's obligations to Stock Broker under this agreement.
7. The Client shall deliver the securities or make payment of funds promptly for the transaction of sale/purchase of securities in order to honour his/her/its obligation to the Stock Broker. The Stock Broker shall not be responsible for auction of securities due to non-delivery or erroneous delivery of shares. The Client shall reimburse to the Stock Broker, the difference in the price on auction, penalty and other charges, as applicable, in case of nondelivery of securities sold by the Client through the Stock Broker. The Client shall also reimburse to the Stock Broker, the charges levied by the bank in case of dishonour of cheque due to non-availability of sufficient funds in the Client's Account.

8. In the event of any short delivery from the Stock Exchanges, the Stock Broker upon the receipt of deliveries from the stock exchange shall deliver the securities to the Client. In case the Stock Broker is unable to give delivery of the securities to its Client on account of short delivery by its another Client, the settlement of the transaction shall take place as per the policy of the Stock Broker.
9. The Client agrees that he/she/it shall be solely responsible to calculate/ascertain the margin requirement, as specified by the Stock Exchanges or the Stock Broker, from time to time on his/her/its open/outstanding positions with the Stock Broker and accordingly furnish the same without any delay.
10. The Client hereby authorizes the Stock Broker to withhold the securities bought by him/her/it and or securities delivered by him/her/it as margin for non-receipt of payment due to the Stock Broker from the Client. The Client further authorizes the Stock Broker to liquidate/close out all or any of the Client's open/outstanding position and/or sell the securities retained by it for non-payment of dues/obligation by the Client at any time to recover its dues without giving any notice to the Client.
11. The Client hereby agrees and undertakes to deliver the securities only from his/her/its own beneficiary account and not from any other beneficiary account.
12. In the event if the Client defaults in meeting its above said obligations towards Stock Broker, Stock Broker shall have absolute discretion to charge and recover from the Client's account, delayed payment charges at such rate/ manner/interval as may be determined by Stock Broker from time to time for the delayed period.

The Client will not be entitled to any interest on the credit balance/surplus margin available/kept with Stock Broker.

- Penalty and other charges levied by Exchanges pertaining to trading of the Client shall be recovered from the respective Client.
  - No interest or charges will be paid by Stock Broker to any Client in respect of retention of funds or securities towards meeting future settlement obligations and in respect of running account authorizations.
13. The Stock Broker reserves the right to refuse to execute any particular transaction, and it shall be at the discretion of the Stock Broker to amend or change from time to time, as the Stock Broker deems fit any of the terms and conditions recorded in his agreement.
  14. The Client shall be required to pay brokerage on the trade executed at his behest at such rates as may be decided from time to time by the Stock Broker.
  15. The Client authorizes the Stock Broker to recover any liability or expenses incurred for any transactions entered into by the Stock Broker on behalf of the Client.
  16. The Client agrees that he/she/it shall pay the stamp duty required to be paid on the execution of this Agreement, Contract Notes and all instruments required to be executed by the Stock Broker and/or the Client for his/her/its transactions in pursuant of this Agreement. Further, without prejudice to the aforesaid, the Client agrees to pay any additional stamp duty, if required to be paid on any of the said instruments, by virtue of the said instrument being received in any State other than the State where the instrument is executed. Notwithstanding, the aforesaid the Stock Broker is entitled to pay the said stamp duties on behalf of the Client's and the Client hereby agrees to reimburse the same to the Stock Broker.
  17. The onus of collecting the Contract Notes for the trades executed on behalf of the Client shall rest only with the Client and in case of non - collection, the Contract Notes will be dispatched through ordinary post or through courier and it shall be deemed to be effective delivery of the contract note to the Client.

18. The Client hereby authorises the Stock Broker to dispatch the Contract Notes, bills, confirmation memos and other papers by post or by courier or by hand delivery or by fax or by auto e-mail or by other mode including web access. Any discrepancy in any of the above documents shall be reported by the Client to the Stock Broker within a period of two days from the date of the documents, otherwise the Stock Broker will presume that there is no discrepancy in the rate, quantity of the share/securities/contracts bought or sold and rate of the brokerage and other levies thereon and that all the documents thus sent to the Client are in order. The Client hereby agrees that in the absence of any communication from him/her/it regarding any discrepancy as stipulated above, the same shall be treated as deemed acknowledgement of the transaction.
19. All the notices or communication issued under this agreement shall be served in any one or more or all of the following ways and such notice or communication shall be served at the ordinary business address and /or ordinary place of residence and/or last known address of the Client in any or more of the following ways:
- by post,
  - by registered post,
  - under certificate of posting,
  - by express delivery post,
  - by telegram,
  - by affixing it on the door at last known business or residential address,
  - by oral communication to the party or on the last known telephone number,
  - by sending a message through trading system,
  - by electronic mail or fax,
  - by hand delivery
20. Any communication sent by the Stock Broker to the Client shall be deemed to have been properly delivered or served, even if such communication is returned to the Stock Broker as unclaimed/ refused/undelivered, if same is sent to the ordinary business address and/or ordinary place of residence and/or last known address of the Client, in any one or more of the ways as mentioned above.
21. The Client hereby agrees, confirms and declares that in the event of this failing to make payment of consideration to the Stock Broker in respect of any one or more securities purchased by him before the pay-in date notified by the Stock Exchanges from time to time, the Stock Broker may, at its sole and absolute discretion, sell his securities received in pay-out, in proportion to the amount not received from him, after taking into account any amount lying to the credit of the Client with the Stock Broker, by selling equivalent securities at any time on any Stock Exchange not later than the fifth trading day reckoned from the date of pay-in. The loss or profit, if any, on account of the above transaction shall be to the account of the Client.
22. The Client hereby agrees, confirms and declares that he will deliver the securities sold by him only from his own Depository Account and not from the Depository Account(s) of others. The Client's hereby further agrees and confirms that in case the securities sold by him are delivered from the Depository Account of others then the Stock Broker shall have a right to consider this delivery as non-delivery. In such an event the Client hereby authorizes the Stock Broker to but the equivalent securities in his account at the prevailing market rate or either on the day on which it is identified by it that the securities have not been received from the Depository Account of the Client or on the following day and the resultant loss, if any, in this regard shall be to the account of the Client only.



23. The Client hereby agrees that he/she/it will not register as a Sub-Broker registered with SEBI without prior written approval of the Stock Broker. The Client further agrees and undertakes that he/she/it will not affect any third party transaction during the course of any of his/her/its dealing through the Stock Broker. The Client undertakes to indemnify the Stock Broker against any losses/damages suffered by the Stock Broker if the Client indulges in any third party transaction or sub-broking business without its prior written approval.

Client Name : _____   Client's Sign : _____			<b>For Ohm Stock Broker Pvt. Ltd.</b>   Director / Auth. Sign.		
	<b>Name &amp; Address of Witness</b>	<b>Signature</b>		<b>Name &amp; Address of Witness</b>	<b>Signature</b>
1.			1.		

**Note:**

1. All references to the specific quantity/rate/fee mentioned in this agreement are subject to change from time to time, as so agreed to in writing between parties.
2. In the event if the Client does not wish to opt for the Voluntary Clauses, in part or in whole, then the Client may delete such clauses(s) before executing the same.

Place : Mumbai

Date :