

Anti Money Laundering Policy

Invos Research & Technology Private Limited

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Document for	SEBI Research Analyst (RA)
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The Prevention of Money Laundering Act, 2002 (PMLA)

The Prevention of Money Laundering Act, 2002 (PMLA) came into effect on July 1, 2005, marking a significant step toward combating financial crimes in India. Following this, SEBI, by Circular dated January 18, 2006, **[Ref 1]** mandated all market intermediaries to establish a policy framework for implementing Anti-Money Laundering (AML) measures.

1. Further strengthening these requirements, SEBI issued a Master Circular (Ref. No. ISD/AML/CIR-1/2008) on December 19, 2008, directing all registered intermediaries to comply with AML standards, Combating the Financing of Terrorism (CFT) guidelines, and their obligations under the PMLA, 2002, along with the rules framed thereunder.
2. Based on recommendations of the Financial Action Task Force (FATF) on anti- money laundering standards, SEBI has issued a master circular on anti- money laundering/ Combating the Financing of Terrorism (CFT) in line with the FATF recommendations and PMLA Act, 2002.

Important Definitions

KYC - KYC (Know Your Customer) is a process used by financial institutions and other regulated entities to verify the identity of their clients. It helps prevent fraud, money laundering, and other illegal activities by ensuring customers are who they claim to be.

Client - A person who maintains an account, is involved in trading activities and has financial transactions with the company.

Transaction - Transaction broadly refers to any purchase, sale, transfer, or movement of funds or securities conducted by or on behalf of a client through a registered intermediary.

CDD

CDD (Client Due Diligence) refers to the process of identifying and verifying the identity of a client as part of Know Your Customer (KYC) norms. It is a key requirement under SEBI regulations and the Prevention of Money Laundering Act (PMLA), 2002.

Key components of CDD:

1. Client identification using official documents.
2. Verification of identity and address.

3. Understand the nature of the client's business or motive of the relationship.
4. Assessing the risk associated with the client (e.g., low, medium, or high risk).
5. Monitor ongoing transactions to ensure they are consistent with the client's profile.
6. CDD helps in preventing money laundering, terrorist financing, and other financial crimes by ensuring that intermediaries only deal with legitimate clients.

Objective

Invos Research and Technology Private Limited is a SEBI registered Research Analyst dedicated to maintaining the highest standards of transparency, integrity, and compliance in its dealings with all retail clients, institutional, HNI's and AMC's. The Company is firmly committed to preventing, to the best of its ability, any involvement in money laundering or related unlawful activities. To have an efficient mechanism for Client identification and verification of the Client's identity on the basis of which clients will be accepted.

To support this commitment, the Company has established a comprehensive Anti-Money Laundering ("AML") Policy, formulated in accordance with Know Your Customer ("KYC") norms, the Anti-Money Laundering standards, SEBI Master Circular Ref No: SEBI/HO/MIRSD/DOP/CIR/P/2019/113, and other relevant directives issued by SEBI at regular intervals. These collectively constitute the AML measures adopted by the Company.

Obligations under Prevention of Money Laundering (PML) Act 2002:

- 1) The Anti-Money Laundering (AML) Policy must be formally approved in writing by the Board or Senior Management and reviewed at regular intervals.
- 2) Implementation of the Anti-money Laundering Policy places certain obligations on various financial institutions,
- 3) To maintain a record of prescribed transactions
- 4) To furnish information of prescribed transactions to the specified authority.
- 5) To authenticate and preserve documentation of the identity of its clients.
- 6) To maintain records in respect of (i), (ii) and (iii) above for a specific period (presently five years) from the date the transactions with the clients cease.

Money Laundering Process

It mainly involves 3 stages,

- 1) Placement:** The first step of injecting unaccounted/unlawful funds into a financial system.
- 2) Layering:** After any unlawful/ unaccounted funds have been introduced to the system, Layers are formed by repeatedly opening and closing accounts, buying and selling different financial products, and transferring funds between financial institutions, including across international borders. The purpose of this process is to create multiple layers of transactions that obscure the illegal origin of the funds, conceal the audit trail, and create the illusion of legitimacy.
- 3) Integration:** This involves reintroducing the laundered funds into the economy in a manner that allows them to circulate in the market as legitimate and normal funds.

How are AML transactions identified?

1. Automated Transaction Monitoring Systems

Financial institutions increasingly rely on automated transaction monitoring systems to detect potentially suspicious activities. These systems use advanced algorithms to analyse large volumes of transactions in real time, identifying anomalies or red flags that may indicate money laundering or other illicit activities. By automating this process, Invos Research & Technology Private Limited can greatly improve efficiency, accuracy, and uniformity, while also reducing the risk of human bias.

2. Integration of Machine Learning and Artificial Intelligence

The adoption of machine learning (ML) and artificial intelligence (AI) in transaction monitoring is transforming the landscape of Anti-Money Laundering (AML) efforts. These technologies enable systems to learn from historical data and evolve over time, allowing for more refined and adaptive detection of suspicious behaviours and patterns. Consequently, machine learning and artificial intelligence can improve the efficiency of monitoring systems, minimizing false positives and enhancing the detection of actual threats.

The company has outlined the following key elements.:

- 1) Client Acceptance Policy and identification procedures
- 2) Client Due Diligence (“CDD”)
- 3) Suspicious Transaction Monitoring Processes, Reporting Requirements
- 4) Maintenance and preservation of Records
- 5) Employee Hiring and Training Programs and Review of the Policy

Training and Education

- 1) Staff Training:** Provide regular training to staff on AML regulations, procedures, and red flags.
- 2) Awareness:** Promote AML awareness throughout the organization so that all the employees are aware of the financial frauds or other activities which might take place, and they deal with the data and their systems carefully.

Hiring of Employees

Invos Research & Technology Private Limited must implement robust screening procedures to uphold high standards in its hiring practices. The Board is responsible for identifying key positions within the organization, taking into account the risks of money laundering, terrorist financing, and the volume of the business. It must ensure that individuals appointed to these critical roles are suitably qualified, competent, and capable of fulfilling their responsibilities. The organization remains fully accountable for maintaining this process.

Suspicious Transaction Monitoring & Reporting

Invos Research & Technology Private Limited takes appropriate measures to ensure that suspicious transactions are promptly identified and has established proper procedures for reporting them. In identifying suspicious transactions, the company is guided by the definition provided under the PML Rules, as amended from time to time.

A list of circumstances which may be in the nature of suspicious transactions is given below.

- 1) Clients whose identity verification seems difficult, or clients appear not to cooperate.
- 2) Clients transferring large sums of money to or from different locations.
- 3) Regular monitoring of transactions is vital for ensuring effectiveness of the Anti-Money Laundering procedures. This is possible only if the company has an understanding of the normal activity of the client so that they can identify the deviant transactions / activities. [Ref2]

Information to be maintained

- I. The nature of the transactions,
- II. The amount of the transaction,
- III. The date on which the transaction was executed, &
- IV. The parties to the transaction.

Maintenance and Preservation of Records

Invos Research & Technology Private Limited shall maintain all records and documents prescribed under the applicable laws, rules, regulations, byelaws, circulars and guidelines etc. The compliance team shall ensure that the records are kept in an easily accessible manner so that it shall be available as and when required by the relevant authorities. Invos Research & Technology Private Limited shall establish an effective internal mechanism to ensure the proper maintenance and preservation of records and information, enabling easy and prompt retrieval of data whenever requested by the competent authorities.

If the records are linked to ongoing investigations or transactions reported as suspicious, they must be kept until it is confirmed that the case has been officially closed.

Risk Assessment

The company shall conduct regular risk assessments to identify, evaluate, and implement effective measures to mitigate the risks of money laundering and terrorist financing. These assessments will take into account factors such as client profiles, the countries or geographic regions involved, the nature and volume of transactions, and the payment methods utilized by clients.

Client Identification Procedure

1) The 'Know Your Client' (KYC) policy must clearly outline the client identification procedures to be followed at various stages, including when establishing the company-client relationship, during the execution of transactions for the client, and whenever the company has concerns regarding the accuracy or sufficiency of previously obtained client identification information.

2) It is important to note that while a risk-based approach may be applied when establishing a business relationship with a client, entities are not exempt from obtaining the minimum information and documents required under the PMLA Rules. This obligation applies to all categories of investors with respect to verifying the identity records of clients.

3) The company must identify each client using reliable sources, including appropriate documents and information. Adequate details should be obtained to satisfactorily establish the identity of every new client and to understand the purpose and intended nature of the relationship. Key information required from clients includes: PAN, email address, and phone number.

Important Information of Clients required: PAN, EMAIL, PHONE NUMBER.

Policy for Acceptance of Clients

Invos Research & Technology Private Limited has implemented customer acceptance policies and procedures designed to spot clients who may present a higher-than-average risk of money laundering or terrorist financing. By establishing these policies, the company is better equipped to apply customer due diligence measures on a risk-sensitive basis, tailored to the nature of the customer, the business relationship, or the transaction involved.

In summary, the following safeguards must be observed when accepting clients.

- a) No account is opened in a fictitious / benami name or on an anonymous basis
- b) Ensure that no account is opened if the intermediary is unable to carry out proper client due diligence measures or comply with KYC policies.

This could apply in situations where it is not feasible to verify the client's identity, when the information given to the intermediary is believed to be fraudulent, or when the client appears uncooperative in providing complete and accurate information.

Review of The Policy

Invos Research & Technology Private Limited reserves the right to revise or update this KYC/AML Policy, in whole or in part, at its discretion as needed. Any amendments will be made effective after obtaining the necessary internal approvals.

Cited Policies for Refence:

1. **SEBI Circular 1:** [sebi.gov.in/sebi_data/docfiles/15327_t.html](https://www.sebi.gov.in/sebi_data/docfiles/15327_t.html)
2. **SEBI Circular 2:** [sebi.gov.in/sebi_data/docfiles/15327_t.html](https://www.sebi.gov.in/sebi_data/docfiles/15327_t.html)
3. **SEBI Circular 3:** [SEBI | Master Circular on Anti Money Laundering and Combating Financing of Terrorism \(AML and CFT\) Standards-PDF<a/>](https://www.sebi.gov.in/sebi_data/commondocs/isdcir0108_p.pdf)