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POLICY ON

PREVENTION

OF

MONEY LAUNDERING



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PART -I OVER VIEW

1. Introduction

- 1.1. The Guidelines as outlined below provides a general background on the subjects of money laundering and terrorist financing summarizes the main provisions of the applicable anti-money laundering and anti-terrorist financing legislation in India and provides guidance on the practical implications of the Act. The Guidelines also sets out the steps that a registered intermediary and any of its representatives, should implement to discourage and identify any money laundering or terrorist financing activities. The relevance and usefulness of these Guidelines will be kept under review and it may be necessary to issue amendments from time to time issued by the regulatory authorities like FIU, SEBI, UN, etc.
- 1.2 These Guidelines are intended for use primarily by Inventure Growth & Securities Ltd by considering the specific nature of its business, organizational structure, type of customers and transactions, etc. when implementing the suggested measures and procedures to ensure that they are effectively applied. The overriding principle is that Principal Officer, Compliance Officer, Management & Other officials should be able to satisfy them that the measures taken by them are adequate, appropriate and follow the spirit of the se measures and the requirements as enshrined in the Prevention of Money Laundering Act, 2002. (PMLA)



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2. Back Ground:

- 2.1 The Prevention of Money Laundering Act, 2002 has come into effect from 1st July 2005. Necessary Notifications / Rules under the said Act have been published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance, Government of India.
- 2.2 As per the provisions of the Act, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992) shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Such transactions include:
- All cash transactions of the value of more than Rs 10 lacs or its equivalent in foreign currency.
 - All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
 - All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as d-mat account, security account maintained by the registered intermediary.

It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' should also be considered.



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3. *Policies and Procedures to Combat Money Laundering and Terrorist financing*

3.1 Guiding Principles

3.1.1 These Guidelines have taken into account the requirements of the Prevention of the Money Laundering Act, 2002 as applicable to the intermediaries registered under Section 12 of the SEBI Act. The detailed guidelines in Part II have outlined relevant measures and procedures to guide the registered intermediaries of Inventure Growth & Securities Ltd i.e. Sub brokers, Authorised Person, etc and Principal Officer, Compliance Officers etc. in preventing money laundering and terrorist financing. Some of these suggested measures and procedures may not be applicable in every circumstance. Each intermediary of Inventure Growth & Securities Ltd should consider carefully the specific nature of its business, operational structure, type of customer and transaction, etc. to satisfy itself that the measures taken by them are adequate and appropriate to follow the spirit of the suggested measures in Part II and the requirements as laid down in the Prevention of Money Laundering Act, 2002.

3.2 Obligation to establish policies and procedures

3.2.1 International initiatives taken to combat drug trafficking, terrorism and other organized and serious crimes have concluded that financial institutions including securities market intermediaries must establish procedures of internal control aimed at preventing and impeding money laundering and terrorist financing. The said obligation on intermediaries has also been obligated under the Prevention of Money Laundering Act, 2002. In order to fulfill these requirements, Inventure Growth & Securities Ltd has a system in place for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to the law enforcement authorities.

3.2.2 In light of the above, senior management of Inventure Growth & Securities Ltd is fully committed to establishing appropriate policies and procedures for the prevention of money laundering and terrorist financing and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. Inventure Growth &



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Securities Ltd has:

- a) to issue a statement of policies and procedures where applicable, for dealing with money laundering and terrorist financing reflecting the current statutory and regulatory requirements;
- b) to ensure that the content of these Guidelines are understood by all staff Inventure Growth & Securities Ltd;
- c) to regularly review the policies and procedures on prevention of money laundering and terrorist financing to ensure its effectiveness and also understanding of the same to the staff of Inventure Growth & Securities Ltd. Further in order to ensure effectiveness of policies and procedures, the person doing such a review should be different from the one who has framed such policies and procedures, Mr. Arvind Gala who is appointed as a Principal Officer of the Company had framed the policies and Mr. Jatin Shah, Ms. Dimple Thakkar & Mr. Jitesh Shah review the policies from time to time and informs the required personnel;
- d) to adopt customer acceptance policies and procedures which are sensitive to the risk of money laundering and terrorist financing;
- e) to undertake customer due diligence (“CDD”) measures to an extent that is sensitive to the risk of money laundering and terrorist financing depending on the type of customer, business relationship or transaction; and
- f) to develop staff members’ awareness and vigilance to guard against money laundering and terrorist financing and keeping the records of training for the audit trail.

3.2.3 Policies and procedures to combat Money Laundering will cover:

- (a) Communication of group policies relating to prevention of money laundering and terrorist financing to all management and relevant staff that handle account information, securities transactions, money and customer records etc. whether in branches, departments or subsidiaries;
- (b) Customer acceptance policy and customer due diligence measures, including requirements for proper identification;



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- (c) Maintenance of records;
- (d) Compliance with relevant statutory and regulatory requirements;
- (e) Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and
- (f) Role of internal audit or compliance function to ensure compliance with policies, procedures, and controls relating to prevention of money laundering and terrorist financing, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff of their responsibilities in this regard.



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PART - II DETAILED GUIDELINES

4. *Written Anti Money Laundering Procedures*

4.1 Inventure Growth & Securities Ltd has adopted written procedures to implement the anti money laundering provisions as envisaged under the Anti Money Laundering Act, 2002. It includes inter alia, the following three specific parameters which are related to the overall '**Client Due Diligence Process**':

- (a) Policy for acceptance of clients
- (b) Procedure for identifying the clients
- (c) Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)

Commitment

The Company is fully committed to comply with all applicable laws designed to combat money laundering and any activity, which facilitates the funding of terrorist or criminal activities.

AML Standards

The AML standards would be primarily based on two pillars, namely, KYC and Monitoring/Reporting of Suspicious Transactions (MSTR). The suspicious transactions shall be monitored and reported.



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5. Customer Due Diligence

5.1 The customer due diligence (“CDD”) measures comprises the following:

- (a) Obtaining sufficient information in order to identify persons who beneficially own or control securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party will be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.
- (b) Verify the customer’s identity using reliable, independent source documents, data or information;
- (c) Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the customer and/or the person on whose behalf a transaction is being conducted;
- (d) Verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c); and
- (e) Conduct ongoing due diligence and scrutiny, i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary’s knowledge of the customer, its business and risk profile, taking into account, where necessary, the customer’s source of funds.
- (f) Inventure Growth & Securities Ltd has following team to review the transactions so as to identify the risk and intention of the activities. The list of team is as follow:

| Sr. No | Name of the Staff | Department | Designation |
|---------------|--------------------------|-------------------|-----------------------------|
| 1 | Mr. Arvind Gala | Accounts | Principal Officer and Chief |



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| | | | |
|---|----------------------|---------------------|---|
| | | | Finacial Officer |
| 2 | Mr. Jatin Shah | Compliance | Compliance Officer in National Stock Exchange of India, OTCEIL and MCX Stock Exchange Ltd |
| 3 | Mr. Jitesh Shah | Back office | Back Office Manager |
| 4 | Mr. Nitin Patel | Risk & Survelliance | Manager |
| 5 | Mr. Bharat Jalan | Risk & Survelliance | Manager |
| 6 | Ms. Gaytri Pachigola | Accounts | Manager |
| 7 | Mr. Deepak Shah | Accounts | Manager |

5.2 Policy for acceptance of clients:

5.2.1 We had developed customer acceptance policies and procedures that aim to identify the types of customers that are likely to pose a higher than the average risk of money laundering or terrorist financing. By establishing such policies and procedures, we will be in a better position to apply customer due diligence on a risk sensitive basis depending on the type of customer business relationship or transaction. In a nutshell, the following safeguards are to be followed while accepting the clients:

Know Your Customer (KYC)

The Company is aware that availability of sufficient customer information underpins all other AML procedures and will see as a critical element in the effective management of AML risks.

The KYC procedures will be based on the following principles:

The Company has ensure that there is in place a process of customer identification and verification



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depending on the nature/status of the customer.

Appropriate customer identification and verification procedures will be conducted at different stages i.e. while establishing a relationship, carrying out a financial transaction or when the officials of PMLA Team has doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

The Company will ensure that a business relationship is commenced only after establishing and verifying the identity of the customer and understanding the nature of the business the customer expects to conduct.

- a) No account is opened in a fictitious / benami name or on an anonymous basis.
- b) Factors of risk perception (in terms of monitoring suspicious transactions) of the client is clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters have enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, is classified even higher. Such clients require higher degree of due diligence and regular update of KYC profile.
- c) Documentation requirement and other information is collected in respect of different classes of clients depending on perceived risk and having regard to the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI and SEBI from time to time.
- d) Ensure that an account is not opened where the Account Opening Department is unable to apply appropriate clients due diligence measures / KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, information provided to the intermediary is suspected to be non genuine, perceived non cooperation of the client in providing full and complete information. Inventure Growth & Securities Ltd will stop business with such a person and file a suspicious activity report. Officials of the Company will



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evaluate whether there is suspicious trading in determining in whether to freeze or close the account. Inventure Growth & Securities Ltd will be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, Inventure Growth & Securities Ltd has to consult the relevant authorities in determining what action it should take when it suspects suspicious trading.

- e) The circumstances under which the client is permitted to act on behalf of another person / entity will be clearly laid down. It will specified in what manner the account will operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity / value and other appropriate details. Further the rights and responsibilities of both the persons (i.e the agent- client registered with Inventure Growth & Securities Ltd, as well as the person on whose behalf the agent is acting should be clearly laid down). Adequate verification of a person's authority to act on behalf the customer should also be carried out.
- f) Necessary checks and balance had been put into place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide.

Customer Acceptance Policy

Due Diligence for Account Opening:

The Company will not accept account-opening forms in anonymous or fictitious/benami name(s). Adequate due diligence is a fundamental requirement for establishing the identity of the customer. Identity generally means a set of attributes which together uniquely identify a natural person or legal entity. In order to avoid fictitious and fraudulent applications of the customers, and to achieve a reasonable degree of satisfaction as to the identity of the customer, we shall conduct



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appropriate basic due diligence. The nature and extent of basic due diligence measures to be conducted by the staff of Account Opening Department at the time of establishment of account opening/relationship, would be dependent upon the risk category of the customers and involve the collection and recording of information by using reliable independent documents, data or any other information. This may include identification and verification of the applicant and wherever relevant, ascertaining of occupational details, legal status, ownership and control structure and any additional information in line with the assessment of the ML risks posed by the applicant

Appropriate Enhanced Due Diligence measures shall be adopted for customers, with a high-risk profile, especially those for whom the sources of funds are not clear, and customers who are Politically Exposed Persons (PEPs) and their family members/close relatives. Politically Exposed Persons are individuals who are or have been entrusted with prominent public functions in a local or foreign government, e.g. Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.

The Company will ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, enforcement authorities etc. This can be verify with list published by regulatory authorities like SEBI, FIU India, UN, etc on time to time basis.

Inventure Growth & Securities Ltd had appointed following personnel to verify details in Account Opening Form and do In-Person Verification:

| Sr. No | Name of the Person | Designation |
|---------------|---------------------------|--|
| 1 | Mr. Avinash Bhosale | CDSL Compliance Officer |
| 2 | Mr. Jatin Shah | Compliance officer in NSE & MCX-SX |
| 3 | Mr. Prasad Patil | Manager - Account Opening Department |
| 4 | Mr. Mangesh Narvekar | Assistant – Account Opening Department |
| 5 | Mr. Sunil Gotankar | Assistant – Account Opening Department |
| 6 | Mr. Dixon Dsouza | Assistant – Account Opening Department |



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5.3 Risk-based Approach

The Company has adopted a risk-based approach in implementing its AML framework as spelt out in this document. This approach includes assessment of various risks associated with different types of customer.

The Company will not register any high risk client without obtaining adequate proof of the ultimate beneficiary behind the account. These clients shall be allowed only delivery transactions after receipt of adequate VAR margins. No other transactions shall be allowed to these clients.

Documentation:

The Company will obtain satisfactory evidence of the identity of the customer depending upon the perceived risks at the time of commencement of relationship/accepting account opening form. Such evidences will substantiate by reliable independent documents, data or information or other means like physical verification etc. In order to avoid customer inconvenience, under special circumstances, Inventure Growth & Securities Ltd may rely on certain data/information available with itself and/or with external reliable sources for the purpose of establishing the identity of the customer.

It is generally recognized that certain customers may be of a higher or lower risk category depending on circumstances such as the customer's background, type of business relationship or transaction etc. As such, Inventure Growth & Securities Ltd will apply each of the customers due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that the Company has to adopt an enhanced customer due diligence process for higher risk categories of customers. Conversely, a simplified customer due diligence process may be adopted for lower risk categories of customers. In line with the risk-based approach, the type and amount of identification information and documents that



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registered intermediaries will obtain necessarily depend on the risk category of a particular customer.

5.4 Clients of special category (CSC):

Such clients include the following-

- a) Non resident clients
- b) High net worth clients,
- c) Trust, Charities, NGOs and organizations receiving donations
- d) Companies having close family shareholdings or beneficial ownership
- e) Politically exposed persons (PEP) of foreign origin
- f) Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)
- g) Companies offering foreign exchange offerings
- h) Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.
- i) Non face to face clients
- j) Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and the Company will exercise independent judgment to ascertain whether new clients will be classified as CSC or not.

5.5 Client identification procedure:

- The 'Know your Client' (KYC) policy has clearly spell out the client identification procedure



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at different stages i.e. while establishing the intermediary – client relationship, while carrying out transactions for the client or when the intermediary has doubts regarding the veracity or the adequacy of previously obtained client identification data.

- The client will be identified by officials of Inventure Growth & Securities Ltd by using reliable sources including documents / information. The Company will obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- The information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the Company officials in compliance with the Guidelines. Each original documents should be seen prior to acceptance of a copy.
- Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the higher authority within the intermediary.
- SEBI has prescribed the minimum requirements relating to KYC for certain class of the registered intermediaries from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time, Inventure Growth & Securities Ltd has framed their own internal guidelines based on their experience in dealing with their clients and legal requirements as per the established practices. Further, officials appointed by Inventure Growth & Securities Ltd maintain continuous familiarity and follow-up where it notices inconsistencies in the information provided. The underlying principle is to follow the principles enshrined in the PML Act, 2002 as well as the SEBI Act, 1992 so that Inventure Growth & Securities Ltd is aware of the clients on whose behalf it is dealing.



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6. *Record Keeping*

6.1 Inventure Growth & Securities Ltd ensures compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PML Act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye - laws and Circulars.

6.2 Inventure Growth & Securities Ltd maintains such records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behavior.

6.3 Should there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities will trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, Inventure Growth & Securities Ltd retains the following information for the accounts of their customers in order to maintain a satisfactory audit trail:

- (a) the beneficial owner of the account;
- (b) the volume of the funds flowing through the account; and
- (c) for selected transactions:
 - the origin of the funds;
 - the form in which the funds were offered or withdrawn, e.g. cash, cheques, etc.;
 - the identity of the person undertaking the transaction;
 - the destination of the funds;
 - the form of instruction and authority.

6.4 Inventure Growth & Securities Ltd ensures that all customer and transaction records and information are available on a timely basis to the competent investigating authorities. Where appropriate, they considers retaining certain records, e.g. customer identification, account files, and business correspondence, for periods which may exceed that required under the SEBI Act, Rules and Regulations framed there-under PMLA 2002, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.



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7 *Retention of Records*

7.1 The following document retention terms should be observed:

(a) All necessary records on transactions, both domestic and international, is maintained at least for the minimum period prescribed under the relevant Act (PMLA, 2002 as well SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars.

(b) Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence is kept for the same period.

7.2 In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, Inventure Growth & Securities Ltd retains until it is confirmed that the case has been closed.



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8. Monitoring of transactions

- 8.1 Regular monitoring of transactions is vital for ensuring effectiveness of the Anti Money Laundering procedures. This is possible only if officials of Inventure Growth & Securities Ltd have an understanding of the normal activity of the client so that they can identify the deviant transactions / activities.
- 8.2 Inventure Growth & Securities Ltd will pay special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose. Inventure Growth & Securities Ltd may specify internal threshold limits for each class of client accounts and pay special attention to the transaction which exceeds these limits.
- 8.3 Inventure Growth & Securities Ltd will ensure a record of transaction is preserved and maintained in terms of section 12 of the PMLA 2002 and that transaction of suspicious nature or any other transaction notified under section 12 of the act is reported to the appropriate law authority. Suspicious transactions will be regularly reported to the higher authorities / head of the department.
- 8.4 Further the compliance cell of the Inventure Growth & Securities Ltd will randomly examine a selection of transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not.



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9. *Suspicious Transaction Monitoring & Reporting*

Ongoing monitoring of accounts is an essential element of an effective AML framework. A Suspicious Transaction is one that is inconsistent with a customer's known, legitimate activities or with the normal business for that type of account. Knowledge of the customer's normal or expected activities would enable us to recognize when a transaction or series of transactions are abnormal.

The Company will endeavor to:

Monitor transactions in order to identify unusual behavior. Upon such identification, to conduct enhanced due diligence.

- 9.1 Inventure Growth & Securities Ltd will ensure to take appropriate steps to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:
- a) Clients whose identity verification seems difficult or clients appears not to cooperate
 - b) Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;
 - c) Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
 - d) Substantial increases in business without apparent cause ;
 - e) Unusually large cash deposits made by an individual or business;
 - f) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
 - g) Transfer of investment proceeds to apparently unrelated third parties;
 - h) Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks /financial services, businesses reported to be in the nature of export-import of small items.
- 9.2 Any suspicion transaction will be immediately notified to the Money Laundering



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Control Officer or any other designated officer like Compliance Officer within the Company. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it should be ensured that there is continuity in dealing with the client as normal until told otherwise and the client should not be told of the report/suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken.

10. *Designation of an officer for reporting of suspicious transactions*

10.1 To ensure that the Inventure Growth & Securities Ltd properly discharge their legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions.

11. *High standards in hiring policies and training with respect to anti-money laundering*

11.1 Inventure Growth & Securities Ltd has adequate screening procedures in place to ensure high standards when hiring employees. The Company identifies the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties. Inventure Growth & Securities Ltd provides proper anti money laundering and anti-terrorist financing training to their staff members on time to time basis. The Inventure Growth & Securities Ltd also provides updated literature on PMLA as and when it is required. Staff Training will be given by the Principal Officer of the Company or Officers hired from outside of the organization on time to time basis.