

## Identifying beneficial owner of clients

As per exchange Circular CIR/MIRSD/2/2013 dated 31<sup>st</sup> December, 2010, share brokers like other intermediaries have obtained sufficient information from their clients to identify and verify the identity of the beneficial or controlling owner of shares purchased / sold through us.

The Prevention of Money Laundering Rules also requires an intermediary like a Share broker to identify the beneficial owner and to take all reasonable steps to identify his identity.

### Definition of Beneficial Owner

A beneficial owner has been defined in the circular as the natural person or persons ultimately own, control or influence a client and or persons on behalf of whose behalf the transaction is being conducted and includes a person who exercises ultimate effective control over legal person or arrangement.

Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

a. The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

Explanation: Controlling ownership interest means ownership of/entitlement to:

- i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

b. In cases where there exists doubt under clause 4 (a) above as to

whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

c. Where no natural person is identified under clauses a or b above, the identity of the relevant natural person who holds the position of senior managing official.

B. For client which is a trust:

Where the client is a trust, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

Exemptions:

Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

Implementation

Since the provisions come into force with immediate effect, as a matter of policy if a existing/new client is a unlisted Company or a partnership firm or a body of individuals , Trusts then as per the said circular the beneficial owner is to be identified and his personal information like Pan Cad copy and proof of address is to be taken on our records.

## Procedure for hiring of personnel

Hiring of personnel shall be the sole responsibility of the Managing Director. Since the Company is a small Company, there is no specific department for hiring of personnel. The Managing Director is appraised of each department's requirements. On basis of this only known /recommended persons are interviewed for the job . Once short listed a character certificate is obtained from someone known to the Managing Director. If the person has been previously employed his previous employer is contacted to find out the track record of the proposed employee. After being thoroughly satisfied , the managing Director hire a new employee.