Central Depository Services (India) Limited

Convenient ⌖ Dependable ⌖ Secure

COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/A,I&C/DP/POLCY/4690 **September 08 , 2014**

COMMONLY OBSERVED DISCREPANCIES IN INSPECTION OF DPs IN THE AREA OF PMLA REQUIREMENTS

DPs are requested to refer to communiqué no. **CDSL/OPS/DP/2236** dated January 06, 2011 enclosing SEBI Circular no. **CIR/ISD/AML/3/2010** dated December 31, 2010 which is a master circular on Anti Money Laundering / Combating Financing of Terrorism Standards - Obligations of Intermediaries under PMLA Act 2002**.**

During the inspection of the DPs by CDSL and SEBI, certain non- compliances have been observed in the area of implementation of above referred SEBI circular which may expose DPs to potential risk. In order to raise the compliance level and to mitigate the risk, DPs are advised to ensure that following steps are taken:

1. Anti-Money Laundering policy (policy) is framed as per SEBI guidelines and revised periodically.
2. The information on Financial Status/income details of clients is obtained at the time of opening of demat account. Subsequently, it should be periodically updated in CDAS/back office. The DP has to satisfy that the transactions carried out by the client are commensurate with his income. If any abnormality is noticed, DP should file STR as per communiqué 2236 dated 06.01.2011.
3. Designated Director is appointed as per SEBI circular dated March 12, 2014.
4. Parameters for risk categorization of clients are provided in the AML policy.
5. Independent verification of clients undertaken during client acceptance is indicated in the policy.
6. Categorization of clients into “Clients of Special Category.(CSC) i.e. Politically exposed persons(PEPs), High Networth individuals(HNIs) and clients with dubious reputations, Non-resident Indians, Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations etc, is done by the DP.
7. To conduct ongoing training programme for employees so that DP staff are adequately trained in AML and CFT (Combating Financing of terrorism) procedures.
8. The DP has systems in place for continuous monitoring of transactions vis-à-vis income of the client. Alerts sent by CDSL are monitored and a suspicious transaction register is maintained as per CDSL communiqué 762.

9. Policy on Employees hiring/training and investor education included in PMLA policy.

Queries regarding this communiqué may be addressed to **CDSL–Audit** on telephone no. (022) 2272-3333, 5152, 5010, 8647, 8631 & 8564.

sd/-
Satish Budhakar
Sr. Vice President &Group Company Secretary