ANNEXURE I

MCX

India's No.1 Commodity Exchange

Circular no.: MCX/COMP/488/2009 November 27, 2009

Anti Money Laundering and Know Your Customer (KYC) Norms

In terms of the provisions of Rules, Bye-Laws and Business Rules of the Exchange, the Members of the Exchange are notified as under:

Forward Markets Commission vide its letter no. 7/1/2008-MKT-II dated October 30, 2009 have directed Members/Intermediaries to follow and adopt the Prevention of Money Laundering Act 2002 and Prevention of Money laundering (Maintenance of records of the nature and value of transaction, the procedure and manner of maintaining and time for furnishing information and verification and maintenance of the identity of clients of the Banking companies, Financial Institutions and Intermediaries) Rules, 2005 and all other rules, regulations, notifications issued by the GOI from time to time.

The following framework as advised by Forward Markets Commission may be followed:

1. The Members/Intermediaries in the Commodity Derivative Market (CDM) shall have adequate controls and procedures in place so that they know the customers with whom they are dealing. Adequate and due diligence on new and existing customers is a key part of these controls. The standards adopted should be such that they adhere in letter and spirit to the requirements as listed out in detail by the Prevention of Money Laundering Act, 2002 (PMLA).

2. Appointment of Principal Officer:

The Members/ Intermediaries shall designate a senior management officer as Principal Officer. The Principal Officer shall be located at the head/corporate office and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. The Principal Officer will maintain close liaison with enforcement agencies, banks and any other institution which are involved in the fight against money laundering and combating financing of terrorism. The name, designation and addresses (including e-mail addresses) of the 'Principal Officer' may be intimated to the Office of the Director-FIU, 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi – 110021, India on an immediate basis.

3. The Customer Due Diligence would include the following aspects:
   a. Customer acceptance policy
   b. Customer identification
   c. Monitoring of transactions
   d. Tracking and reporting suspicious transactions

a. Customer Acceptance Policy

3.1 The Members/Intermediaries should develop clear customer acceptance policies and procedures, including a description of the types of customers that are likely to pose a higher than normal risk to them. In preparing such policies factors such as customers' background, origin, public position, related accounts, business activities or other risk indicators should be considered. The Members/Intermediaries should develop graduated customer acceptance policies and procedures that require more extensive due diligence for higher risk customers. For example, the policies may require the fundamental account-

opening requirements for a working individual with a small CDM transaction. It is, however, important that the customer acceptance policy is not so restrictive that it results in a denial of access to the market participants, especially the targeted beneficiaries like farmers. On the other hand, quite extensive due diligence would be essential for an individual with a high net worth whose source of funds is unclear. Decisions to enter into business relationships with high risk customers, such as politically exposed persons, should be taken exclusively at senior management level.

b. Customer Identification

3.2 Customer identification is an essential element of KYC standards. A customer would include the person or entity that maintains an account with the member/intermediary or those on whose behalf an account is maintained (i.e., beneficial owners). The Member/Intermediary should undertake the following processes for proper identification of customers:

i) Identifying the customer and verifying that customer's identity using reliable, independent source documents;

ii) Identifying the beneficial owner, and taking reasonable measures to verify he identity of the beneficial owner such that the Member/Intermediary is satisfied that it knows who the beneficial owner is;

iii) In case of high value of transactions, obtaining information on the purpose and intended nature of the business relationship;

iv) Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the Members/Intermediaries knowledge of the customer, their business profile and risk profile, including, where necessary, the source of funds.

Indicative list of documents that may be obtained from the customers is enclosed at Annexure I.

3.3 It is felt that in some specific cases, the more rigorous identification procedures should be put in place. The following list is indicative, and the member/intermediary can have advanced process for the customer which it feels has high risk profile. Such high risk customers would include the following, but may not be restricted to depending on other customers having high risks associated to them:

- Companies having close family shareholdings or beneficial ownership
- Non-face-to-face clients
- Non resident clients
- High Networth clients,
- Trusts, Charities, NGOs and organizations receiving donations
- Politically exposed persons (PEP) of foreign origin
- 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 which are perceived to be sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent)
- Clients with dubious reputation as per public information available.

3.4 The above mentioned list is only illustrative and the Member/Intermediary should exercise independent judgment to ascertain whether new clients should be classified for more rigorous identification.

c. Monitoring of Transactions

3.5 The Member/Intermediary should put in place a mechanism to monitor the transactions being conducted through it, for ensuring effectiveness of the Anti Money Laundering procedures. For this, the Member/Intermediary should keep a tab on the transaction profile of the clients. This would help them in identifying the abnormal trade profile of the suspected clients.

3.6 The Member/Intermediary should pay attention to all complex, unusually large transactions / patterns which appear to have no financial or commercial justification. Very high account turnover, inconsistent with the size of the balance, may indicate that funds are being "routed / washed" through the account. Examples of suspicious activities can be very helpful to the member/intermediary and should be included as part of a jurisdiction's anti-money laundering procedures and/or guidance. The Member/Intermediary may also implement internal reporting mechanism and have threshold limits for each class of customers and pay special attention to the transaction which exceeds these limits.

3.7 The Member/Intermediary should ensure that a record of transactions is preserved and maintained **for a period of ten years** and that any transaction of suspicious nature is reported to the appropriate regulatory / other authority.

d. Tracking and Reporting Suspicious Transactions

3.8 It is emphasized that considering the sensitivity of the issue, the Suspicious transaction reporting should be taken up with utmost care and seriousness. The Members/Intermediaries should ensure to take appropriate steps to enable suspicious transactions be recorded. They should have appropriate internal procedures for reporting of suspicious transactions. Indicative list of circumstances / profile of the customer is indicated below to serve as a guidance to the Member/ Intermediary for recognizing them:

i) Clients whose verification is complex and not confirmed from other sources;
ii) Substantial increases in turnover without any reason;
iii) Large cash deposits made with the member/intermediary;

3.9 The suspicious transaction should be immediately notified to the Principal Officer or any other designated officer within the member/intermediary. The compliance cell of the member/intermediary should randomly examine a selection of transaction undertaken by clients to comment on their nature, i.e., whether they are suspicious transactions.

4. Reporting of Transaction to Financial Intelligence Unit-India

In terms of the PMLA rules, Members/Intermediaries are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND)

i. Cash Transaction Reports: The Prevention of Money-laundering Act, 2002, and rule thereunder require every member/intermediary to furnish to FIU-IND information relating to

- All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
- All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month;

The cash transaction report (CTR) (wherever applicable) for each month should be submitted to FIU-IND by 15th of the succeeding month as per the enclosed format at Appendix I.

Members may refer to our Circular No. MCX/COMP/401/2009 dated October 1, 2009 with respect to dealings in cash.

ii. Suspicious Transaction Reports: Every Member/Intermediary shall furnish to FIU-IND information of all suspicious transactions whether or not made in cash. Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith –

- gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- appears to be made in circumstances of unusual or unjustified complexity; or
- appears to have no economic rationale or bonafide purpose; or
- gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

The Suspicious Transaction Report (STR) should be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature as per enclosed Appendix II. The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion.

Members/Intermediaries should carefully go through all the reporting requirements and formats given in the website of Financial Intelligence Unit, India – http//fiuindia.gov.in/

The related hardware and technical requirement for preparing reports in manual/electronic format, the related data files and data structures thereof are also given in the website. Members/Intermediaries, which are not in a position to immediately file electronic reports, may file manual reports to FIU-IND as per the formats prescribed.

The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND. Utmost confidentiality should be maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address.

The Principal Officer and other designated staff may visit the website of FIU – http:/fiuindia.gov.in/ for detailed guidelines and updates regarding the PMLA, 2002 and notifications issued from time to time.

Members/Intermediaries of the Exchange are hereby advised to ensure compliance with the above.

Parag Jain
Chief – Membership & Inspection

Encl: As above

Kindly contact Compliance Team on 022 – 66494090 or send an email at compliance@mcxindia.com for any clarification

---------- Corporate office ----------
Multi Commodity Exchange of India Limited
Exchange Square, CTS No. 255, Suren Road, Chakala, Andheri (East), Mumbai – 400 093
Tel.: 022 – 6649 4000 Fax: 022 – 6649 4151
www.mcxindia.com email: customersupport@mcxindia.com

Annexure –I

Customer Identification system

Indicative list of Documents that may be obtained from customers

S.No	Customer Profile	Indicative list of documents to be taken
	A. Accounts of individuals	
	Given name and any other names used	(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving licence (v) Identity card (subject to the intermediaries satisfaction) (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer.
	Permanent address	(i) Telephone bill (ii) Bank account statement (iii) Letter from any recognized public authority (iv) Electricity bill (v) Ration card (vi) Letter from employer (any one document which provides customer information to a reasonable satisfaction of the intermediary).
	B. Accounts of companies	
	Name of the Company - Principal place of Business - Mailing address of the company - Telephone/Fax Number	(i) Certificate of incorporation and Memorandum & Articles of Association (ii) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account (iii) Power of Attorney granted to its managers, officers or employees to transact business on its behalf (iv) Copy of PAN allotment letter (v) Copy of the telephone bill
	C. Accounts of partnership firms	
	- Legal name - Address	(i) Registration certificate, if registered (ii) Partnership deed (iii) Power of Attorney

	- Names of all partners and their addresses - Telephone numbers of the firm and partners	granted to a partner or an employee of the firm to transact business on its behalf (iv) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses (v) Telephone bill in the name of firm/partners
	D. Accounts of trusts & foundations	
	- Names of trustees, settlers, beneficiaries and signatories - Names and addresses of the founder, managers/directors and beneficiaries - Telephone/fax numbers	(i) Certificate of registration, if registered (ii) Power of Attorney granted to transact business on its behalf (iii) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/ directors and their addresses (iv) Resolution of the managing body of the foundation/association (v) Telephone bill

APPENDIX-I

CASH TRANSACTION REPORT (CTR) FOR AN INTERMEDIARY

Kindly fill in CAPITAL Letters. Read the instructions before filing the form.

PART 1 DETAILS OF REPORT

1.1 Month and year of report ☐☐☐☐☐☐☐☐ (M M Y Y Y Y)

1.2 Is this a replacement to an earlier report? ☐ NO ☐ YES

1.3 Date of sending original report if this is a replacement report ☐☐☐☐☐☐☐☐ (D D M M Y Y Y Y)

PART 2 DETAILS OF REPORTING MEMBER

2.1 Name of intermediary

2.2 FMC registration number 2.3 ID allotted by FIU-IND

2.4 Address (No., Building)

2.5 Street/ Road

2.6 Locality

2.7 City/Town, District

2.8 State, Country

2.9 Pin Code 2.10 Tel (with STD Code)

2.11 Fax 2.12 E-mail

PART 3 DETAILS OF ACCOUNT HOLDERS

3.1 Account number

3.2 Type of account A Trading account B Demat account

Z Others (Specify)

3.3 Type of account holder A Individual B Legal person/entity

C Central / State Government

D Central/State Government owned undertaking

3.4 Date of account opening

DD - MM - YYYY

PART 4 LIST OF ACCOUNT HOLDERS

	Name of Individual/Legal Person/Entity	Client code/number	Annexure
4.1			
4.2			
4.3			

4.4			
4.5			

Mention A for Individuals, B for Legal Person/Equity

(Details of all account holders should be furnished in prescribed annexure)

Number of additional sheets for PART 4 attached

CASH TRANSACTION REPORT (CTR) FOR AN INTERMEDIARY

Kindly fill in CAPITA Letters. Read the instructions before filling the form.

PART 5 LIST OF OTHER RELATED PERSONS (other than account holders)

	Name of Individual/Legal Person/Equity	Client code/No.	Relation	Annexure
5.1				
5.2				
5.3				
5.4				
5.5				

Mention B for Auth. Signatory, C for Director/Partner/Member etc. D for Introducer. E for Guarantor, Z for others.

Mention A for Individuals, B for Legal Person/Equity

(Details of all persons should be furnished in prescribed annexure)

PART 6 DETAILS OF TRANSACTIONS

	Date of Transaction	Debit/Credit	Amount in Rupees	Remarks
6.1				
6.2				
6.3				
6.4				
6.5				
6.6				
6.7				
6.8				
6.9				
6.10				

DD- MM – YY

D for Debit &
C for Credit

Number of additional sheets for PART 6 attached

PART 7 CUMULATIVE TOTALS

7.1 Total debits in the account in the financial year

7.2 Total credits in the financial year

DO NOT FILL. FOR FIU-IND USE ONLY Signature

ACK.NO. Name

DATE Designation

DO NOT FILL. FIU-IND USE ONLY

CIN02

CASH TRANSACTION REPORT (CTR) FOR AN INTERMEDIARY INSTRUCTIONS

GENERAL INSTRUCTIONS

The Prevention of Money Laundering Act 2002
Under the Prevention of Money Laundering Act 2002, every intermediary shall furnish details of:

(A) All cash transaction of the value of more than rupees ten lakhs or its equivalent in foreign currency;

(B) All series of cash transactions integrally Connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month;

Provided that where the principal officer of an Intermediary has reason to believe that a single Transaction or series of transactions integrally Connected to each other have been valued below the Prescribed limit so as to defeat the provisions of this Section, such officer shall furnish information in respect Of such transactions to the Director within the prescribed Time.

How to submit
Every branch/franchise must submit this form to the Director, FIU-IND only through the principal officer Of the intermediary.

EXPLANATION OF SPECIFIC TERMS

PART 1 ; DETAILS OF REPORT
Replacement report is a report submitted in Replacement of an earlier CTR. When a Replacement report is submitted, date of Submitting original CTR may be mentioned and The complete CTR has to be submitted again.

PART 2: DETAILS OF REPORTING MEMBER
Particulars of the member in which the reported Account is maintained should be submitted inn this Part.

2.3 ID allotted by FIU-IND may be left blank till the Same is communicated by FIU-IND.

PART 3: DETAILS OFACCOUNT
A separate CTR is required to be filled for each reported account.

PART 4: LIST OF ACCOUNT HOLDERS
Client code/number is the number allotted by by the intermediary to identify the client. Enclose a separate annexure for each account holder.

PART 5: LIST OF OTHER RELATED PERSONS
The Client code/number may be mentioned if the related person is also a client of the intermediary. The related person can be of following types:

"B" – Authorised signatory
"C" - Director/Partner/Member etc. of a Legal Person/Entity
"D" - Introducer
"E"- Guarantor
"Z"- Other
Enclosed a separate annexure for each related person.

PART 6: DETAILS OF TRANSACTIONS
Debit – Cash withdrawn from the account.
Credit – Cash deposited in the account.

The amount should be rounded off to nearest Rupee without decimal.

PART 7: CUMULATIVE TOTALS
7.1 Total of all debit entries in the account from 1st April of the financial year till the last day of the month of reporting.

7.2 Total of all entries in the account from 1st April Of the financial year till the last day of the month of Reporting.

ALL ANNEXURES MUST BE ENCLOSED.

APPENDIX II.

SUSPICIOUS TRANSACTION REPORT (STR) FOR AN INTERMEDIARY

Kindly fill in CAPITAL Letters. Read the instructions before filing the form.

PART 1 DETAILS OF REPORT

1.1 Date of sending report ☐☐ ☐☐ ☐☐☐☐ (D D M M Y Y Y Y)

1.2 Is this a replacement to an earlier report? ☐ NO ☐ YES

1.3 Date of sending original report if this is a replacement report ☐☐ ☐☐ ☐☐☐☐ (D D M M Y Y Y Y)

PART 2 DETAILS OF PRINCIPAL OFFICER

2.1 Name of member

2.2 FMC registration number

2.3 ID allotted by FIU-IND 2.4 Category of intermediary

2.5 Name of principal officer

2.6 Designation

2.7 Address (No., Building)

2.8 Street/Road

2.9 Locality

2.10 City/Town, District

2.11 State, Country

2.12 Pin Code

2.13 Tel (with STD code)

2.14 Fax

2.15 E-mail

PART 3 DETAILS OF REPORTING BRANCH OF MEMBER

3.1 Name of Member.

3.2 Code (if allotted)

3.3 Address (No., Building)

3.4 Street/Road

3.5 Locality

3.6 City/Town, District

3.7 State, Country

3.8 Pin Code

3.9 Tel (with STD Code)

3.10 Fax

3.11 E-mail

PART 4 LIST OF INDIVIDUALS LINKED TO TRANSACTIONS

	Name of individual	Code/ID (if allotted)	Annexure
4.1			A 1
4.2			A 2
4.3			A 3
4.4			A 4
4.5			A 5
4.6			A 6
4.7			A 7
4.8			A 8
4.9			A 9
4.10			A 10
4.11			A 11
4.12			A 12
4.13			A 13
4.14			A 14

4.15			A 15

PART 5 LIST OF LEGAL PERSONS/ENTITIES LINKED TO TRANSACTIONS

	Name of legal person/entity	Code/ID (if available)	Annexure
5.1			A 1
5.2			A 2
5.3			A 3
5.4			A 4
5.5			A 5
5.6			A 6
5.7			A 7
5.8			A 8
5.9			B 9
5.10			B 10

Number of additional sheets for PART 5 attached

PART 6 LIST OF ACCOUNTS LINKED TO TRANSACTIONS

	Account Number	Name of First Account Holder	Annexure
6.1			C 1
6.2			C 2
6.3			C 3
6.4			C 4
6.5			C 5
6.6			C 6
6.7			C 7
6.8			C 8
6.9			C 9
6.10			C 10

Number of additional sheets for PART 6 attached

PART 7 DETAILS OF SUSPICIOUS TRANSACTION

7.1 Reasons for suspicion (Tick ✓ as applicable Multiple selection is possible. Refer to instructions)

A	Identity of client	B	Suspicious back ground	C	Multiple accounts
D	Activity in Account	E	Nature of transaction	F	Value of transaction
Z	Other reason (specify)				

7.2 Grounds of Suspicion (Mention summary of suspicion and sequence of events)

7.3 Ground pf Suspicion (contd. from previous page)

Number of additional sheets for part 7 attached.

PART 8 DETAILS OF ACTION TAKEN

8.1 Whether the matter is/was under any investigation? (Mention the name of agency, person and contact details)

Number of additional sheets for PART 8 attached

DO NOT FILL. FOR FIU-IND USE ONLY

ACK. NO. Signature

DATE Name

(Should be same as the person mentioned in PART 2).

DO NOT FILL. FOR FIU-IND USE ONLY. STN04

FIU-IND Financial Intelligence Unit- India.

SUSPICIOUS TRANSACTION REPORT (STR) FOR AN INTERMEDIARY
INSTRUCTIONS

General Instructions

The prevention of Money Laundering Act, 2002
Under the prevention of Money Laundering Act, 2002, every intermediary shall furnish details of suspicious transactions whether or not made in cash.

Suspecious transaction means a transaction whether or not made in cash which, to a person acting in good faith –

(a) gives rise to a reasonable ground of suspicion that it may involved the proceeds of crime: or
(b) appears to be made in circumstances of unusual or unjustified complexity: or
(c) appears to have no economic rationale or bonafide purpose.

How to submit
The principal officer of the intermediary designated under PMLA, 2002 must submit this form by post to the director (FIU-IND). In urgent cases, the form should also be sent by fax.

By Post Director (FIU-IND),
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat,
Chanakyapuri, New Delhi -110021
India.

By Fax +91-11-26874459

EXPANATION OF SPECIFIC TERMS
PART 1 : DETAILS OF REPORT

1.1 Date of sending report is the date on which the principal officer sends the report to Director (FIU-IND).
1.2 Replacement Report is a report submitted in replacement of an earlier STR. When a replacement report is submitted, date of submitting original STR may be mentioned and the complete STR has to be submitted again.

PART 2: DETAILS OF PRINCIPAL OFFICER

2.3 ID allotted by FIU-IND may be left bank till the same is communicated by FIU-IND

PART 3: DETAILS OF MEMBER

Particular of the member in which the reported accounts are maintained should be submitted in this part.

PART 4 : LIST OF INDIVIDUALS LINKED TO TRANSACTIONS

Client code / number may be given if allotted by the intermediary. Enclose a separate Annexure A for each individual.

PART 5 : LIST OF LEGAL PERSONS/ENTITIES LINKED TO TRANSACTIONS
Enclosed a separate Annexure B for each legal person/entity . Include the details about individuals (director/partner/ member etc.) related to the reported legal person / entity in part 4.

PART 6: LIST OF ACCOUNTS LINKED TO TRANSACTIONS
Enclose a separate Annexure C for each account.

PART 7: DETAILS OF SUSPICIOPUS TRANSACTION

Reason	Examples of suspicious transaction
Identity of Client	False identification documents
	Identification documents which could not be verified within reasonable time
	Non-dace to face client
	Doubt over the real beneficiary of the account
	Accounts opened with names very close to other established business entities
Suspicious Background	Suspicious background or links with known criminals
Multiple accounts	Large number of accounts having a common account holder, introducer or authorised signatory with no rationale.
	Unexplained transfers between multiple accounts with no rationale
Activity in Accounts	Unusual activity compared to past transactions
	Use of different accounts by client alternatively
	Sudden activity in dormant accounts
	Activity inconsistent with what would be expected from declared business
	Accounts used for circular trading
Nature of Transactions	Unusual or unjustified complexity
	No economic rationale or bonafied purpose
	Source of funds are doubtful
	Appears to be case of insider trading
	Investment proceeds transferred to a third party
	Transactions reflect lightly market manipulations
	Suspicious off market transaction
Value of Transactions	Value just under reporting threshold amount in an apparent

	attempt to avoid reporting
	Large sums being transferred from overseas for making payments
	Inconsistent with the client apparent financial standing
	Inconsistency in the payment pattern by client
	Block deal which is not at market price or prices appear to be artificially inflated / deflated.