



**INVESTOR AWARENESS / EDUCATION  
- ANTI-MONEY LAUNDERING /  
COMBATING THE FINANCING OF  
TERRORISM (AML/CFT)**

## **A. Money Laundering**

Over the last decade organized crime, terrorist activities, funding to aid and abet terrorist activities have been on the rise. In wake of increased terrorist attacks a number of governments have called for rapid and coordinated efforts to detect and prevent the misuse of world financial system for terrorism / extortion/ drug trafficking etc.

Money Laundering refers to conversion of money illegally obtained to make it appear as if it originated from a legitimate source. Money laundering is being employed by launderers worldwide to conceal criminal activity associated with it such as drugs / arms trafficking, terrorism and extortion.

## **B. Steps in Money Laundering**

Money laundering basically involves three independent steps

### *i. Placement:*

This refers to physical disposal of bulk cash proceeds derived from illegal activity.

### *ii. Layering:*

Refers to separation of illicit proceeds from their source by creating complex layers of financial transactions. Layering conceals the audit trail and provides anonymity.

### *iii. Integration:*

Refers to the re-injection of the laundered proceeds back into the economy in such a way that they re-enter the financial system as normal business funds. Banks and financial intermediaries are vulnerable from the Money Laundering point of view since criminal proceeds can enter banks in the form of large cash deposits. The same funds may be used by the entity to invest in the Capital Market.

## **C. The Financial Action Task Force (FATF)**

The Financial Task force (FATF) was established by the G- 7 Summit that was held in Paris in 1989. This Intergovernmental body facilitates the development and promotion of policies, both at national and international levels to combat money laundering. The FATF has provided with forty recommendations, which provide a comprehensive blueprint of the action needed to combat money laundering. India is a member of the FATF since June 2010.

## **D. The Indian Scenario:**

India's Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) Framework by way of Prevention of Money Laundering Act, 2002 was brought into force w.e.f. 1st July, 2005 by the Parliament. The said Act is applicable to banks, financial institutions and

all intermediaries associated with the securities market and are registered with SEBI under section 12 of SEBI Act, 1992 such as Depository Participants, Stock Brokers, Investment Advisers, Portfolio Managers and Merchant Bankers.

SEBI has issued detailed guidelines/ instructions to be complied by all intermediaries as a part of the Anti-Money Laundering (AML) Program. Investors may refer SEBI master SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/113 dated October 15, 2019 as amended from time to time, available on SEBI's website. (<http://www.sebi.gov.in>).

### **E. Details / Information from Investor:**

Investors shall be required to provide details / information as may be required by HDFC Securities Limited (HSL). Few of the details are stated below:

- i. Provide valid documents to prove your identity and address
- ii. Provide your accurate contact information including mobile No, email id etc
- iii. Provide accurate information about your occupation and its nature;
- iv. Provide accurate information about your financials.
- v. Inform as and when there is a change in the information that you have provided along with supporting documents wherever required.

Implementation of AML/CFT measures at times may require HSL to demand certain information from investors which may be of personal nature or never been called for or which are beyond the standard checklists.

- i. Such information can include documents evidencing source of funds / income tax returns / bank statements etc.
- ii. Investors are requested to co-operate when HSL seeks additional information or documents in connection with your trades, holdings etc. since these documents/information etc. is sought by HSL only to comply with statutory/regulatory requirements.
- iii. The real rationale / purpose for certain transactions or trades undertaken when inquiries are made.
- iv. Update your KYC information when we remind you that a KYC updation is due from your end.

### **F. HSL Obligations:**

HSL is required to have a robust client acceptance policy, client identification procedures, risk-based approach and a due-diligence process at the time of client registration as well as on a periodical basis. The purpose of implementing AML/CFT measures is to stop criminals and terrorists from abusing the financial system and to know / understand its customers and their financial dealings better. Adherence to AML Program policies and procedures is to enhance fraud prevention measures taken by HSL to protect itself and its genuine investors and ensure governance.