

PREVENTION OF MONEY LAUNDERING (PML) POLICY

(Applicable to Proprietary Trading Activities Only)

1. INTRODUCTION

This Policy is adopted by CapitalSquare Financial Services Private Limited (“Company”) in accordance with the provisions of the Prevention of Money Laundering Act, 2002, rules thereunder, and guidelines issued by Securities and Exchange Board of India (“SEBI”).

The Company is registered as a stock broker but **engages solely in proprietary trading**, i.e., trading in securities using its own funds and not on behalf of any clients.

2. POLICY OBJECTIVES

The objectives of this Policy are to:

- Prevent misuse of the Company’s proprietary accounts for money laundering or terrorist financing
- Ensure that all funds used in trading are from legitimate and identifiable sources
- Establish internal controls for monitoring transactions
- Ensure compliance with PMLA, SEBI AML guidelines, and applicable regulations
- Detect and report suspicious transactions, if any

3. APPLICABILITY

This Policy applies to:

- Directors and Key Managerial Personnel
- Treasury / Proprietary Trading Desk
- Accounts & Finance Team
- Compliance & Risk Management Team
- Any employee involved in fund flow, trading, or reporting

5. GOVERNANCE STRUCTURE**5.1 Designated Director**

The Managing Director / CEO shall act as the **Designated Director** under PMLA



5.2 Principal Officer

A senior official (Compliance Officer / CFO) shall act as the **Principal Officer** responsible for:

- Monitoring AML compliance
- Reviewing fund flows and trading patterns
- Reporting suspicious transactions to FIU-IND
- Liaising with regulators

6. SOURCE OF FUNDS CONTROLS

Since no client funds are involved, the **primary AML control is on source of funds.**

The Company shall ensure:

- All funds used for trading are routed through **bank accounts in the Company's name only**
- No acceptance of third-party funds
- Proper documentation for:
 1. Share capital
 2. Loans (if any)
 3. Inter-corporate deposits
- Verification of **ultimate source of funds**, especially for:
 1. Capital infusion
 2. Unsecured loans
 3. Related party transactions

7. BANKING & FUND FLOW CONTROLS

- Maintain **designated bank accounts** for trading
- No cash transactions permitted
- All receipts/payments via banking channels only
- Regular reconciliation between:
 1. Bank accounts
 2. Trading accounts
 3. Ledger balances



- Maintain confidentiality (no tipping-off)
- Document reasons for suspicion

12. RECORD MAINTENANCE

The Company shall maintain:

- Bank statements
- Fund source documents
- Trading records
- Audit trails

Retention period: Minimum 5 years as per PMLA requirements

13. REGULATORY SCREENING

The Company shall ensure:

- Directors / shareholders are not on:
 1. SEBI debarred list
 2. UN sanctions list
 3. Other regulatory watchlists

Screening shall be done:

- At onboarding of directors/shareholders
- Periodically thereafter

14. EMPLOYEE CONTROLS

- Background verification before hiring
- Restricted access to trading systems
- Segregation of duties:
 1. Trading
 2. Settlement
 3. Accounting
 4. Compliance



8. PROPRIETARY TRADING MONITORING

The Company shall monitor:

- Unusual trading patterns
- High-value or high-frequency trades without rationale
- Circular or self-trades
- Trades that may indicate:
 1. Market manipulation
 2. Insider trading
 3. Artificial volume creation

9. RELATED PARTY & CONNECTED ENTITY RISK

Special attention shall be given to:

- Trades involving group companies or related entities
- Fund transfers between related parties
- Use of multiple entities for layered transactions

All such transactions shall be:

- Properly documented
- Reviewed by Compliance

10. SUSPICIOUS TRANSACTION IDENTIFICATION

Even in proprietary trading, the following may be suspicious:

- Sudden large fund inflows without business justification
- Funds routed through multiple layers before reaching the Company
- Trading patterns inconsistent with market behavior
- Repetitive loss-making trades with connected parties
- Transactions linked to entities in high-risk jurisdictions

11. REPORTING OF SUSPICIOUS TRANSACTIONS

The Principal Officer shall:

- Report Suspicious Transaction Reports (STRs) to FIU-IND



15. TRAINING

Employees shall receive:

- AML awareness training
- Updates on regulatory requirements
- Identification of suspicious activities

16. INTERNAL AUDIT & REVIEW

- Periodic internal audit of AML controls
- Review of:
 1. Fund flows
 2. Trading patterns
 3. Compliance reporting

17. CONFIDENTIALITY

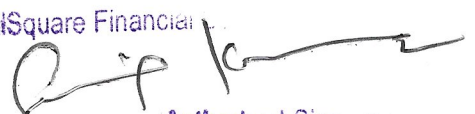
All AML-related information, including STRs, shall be strictly confidential.

18. POLICY REVIEW

This Policy shall be reviewed:

- Annually, or
- Upon regulatory changes



CapitalSquare Financial

Authorised Signatory
