

## **ANTI-MONEY LAUNDERING POLICY**

### **POLICY GUIDELINES ON KNOW YOUR CLIENT (KYC) AND PREVENTION OF ANTI MONEY LAUNDERING (AML)**

#### **1. Introduction**

**Pantomath Capital Management Private Limited (PCMPL)** wishes to be at the forefront, towards ensuring compliance with all the regulatory requirements and is committed to maintaining and promoting high ethical standards and business practices. As an effort in the same direction we have prepared this **Anti-Money Laundering Policy & Procedures ("Policy")** in order to ensure compliance under the Prevention of Money Laundering Act, 2002 and to establish a common vision of our commitment to safeguard India's common values and international peace and security.

PCMPL as an intermediary under the **Prevention of Money Laundering Act, 2002, ("PMLA")** is required to have a system in place for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to law enforcement authorities. The Policy is intended to establish certain guiding principles for all employees and consultants of PCMPL.

All Employees subject to the provisions of this Policy must conduct themselves in a manner consistent with the requirements and procedures set forth herein. Adherence to the Policy is a fundamental condition of service with PCMPL and the provisions of the Policy shall be deemed an intrinsic part of the terms of employment of the Employees. In the event that any Employee experiences any difficulties or doubts in respect of the meaning or interpretation of any of the provisions of the Policy or is unsure of whether a given action would be consistent with the Policy or any other applicable laws, he or she should contact the Designated Officer (appointed as specified below) for clarifications.

PMLA forms the core of the legal framework put in place by India to combat money laundering. PMLA and the Rules notified there under came into force with effect from July 1, 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on July 01, 2005. The PMLA has been further amended vide notification dated March 6, 2009 and inter alia provides that violating the prohibitions on manipulative and deceptive devices, insider trading and substantial acquisition of securities or control as prescribed in Section 12 A read with Section 24 of the **Securities and Exchange Board of India Act, 1992 (SEBI Act)** will now be treated as a scheduled offence under schedule B of the PMLA.

As per PMLA, every banking Company, financial institution (which includes chit fund Company, a co-operative bank, a housing finance institution and a non-banking financial Company) and intermediary (which includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, **merchant banker**, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities / commodities market and registered under section 12 of the SEBI Act) shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA. For the purpose of PMLA, such transactions include:

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**Registered Office:** 406-408, Keshava Premises, Near Family Court, Bandra Kurla Complex, Bandra (East), Mumbai – 400051

**CIN:** U67100MH2018PTC314901 **Tel:** 022 61946 700 **Email:** [fund@pantomathamc.com](mailto:fund@pantomathamc.com)

- a) All cash transactions of the value of more than Rs. 10 lakhs or its equivalent in foreign currency.
- b) All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
- c) All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non-monetary account such as d-mat account, security account maintained by the registered intermediary.

It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' should also be considered.

The Guidelines laid down the minimum requirements and it was emphasised that the intermediaries may, according to their requirements, specify additional disclosures to be made by clients to address concerns of Money Laundering and suspicious transactions undertaken by clients.

### **Designated Officer**

a. Ms. Madhu Lunawat, Fund Manager of PCMPL, shall serve as the Designated Officer responsible for overseeing the implementation of this Policy and periodically reporting on issues covered herein to the Board of Directors (BOD). Employees shall refer all matters concerning the issues covered by this Policy to the Designated Officer and shall act in accordance with his instructions in this behalf.

b. All submissions required to be made by Employees in terms of this Policy shall be addressed to the Designated Officer. The Designated Officer shall be responsible for maintaining and updating all records to be kept by PCMPL in accordance with this Policy or any applicable laws/regulations. In addition, the Designated Officer shall be responsible for maintaining close liaison with enforcement agencies and other institutions which are involved in the fight against money laundering and combating financing of terrorism. In the absence of the Designated Officer, Director will act as the Designated Officer for the purpose of this Policy.

### **2. Objective**

The objective of this policy framework is to:

- a. Create awareness and provide clarity on KYC standards and AML measures.
- b. To have a proper Customer Due Diligence (CDD) process before registering clients.
- c. To monitor/maintain records of all cash transactions of the value of more than Rs.10 lacs.
- d. To maintain records of all series of integrally connected cash transactions within one calendar month.
- e. To monitor and report suspicious transactions.
- f. To discourage and identify money laundering or terrorist financing activities.
- g. To take adequate and appropriate measures to follow the spirit of the PMLA.

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### **3. Applicability**

These policies and procedures apply to all employees of PCMPL and are to be read in conjunction with the existing guidelines. The following procedures have been established to ensure that all employees know the identity of their customers and take appropriate steps to combat money laundering.

### **4. Statement of Policy**

Most developed countries (including Australia, Hong Kong, Singapore, Taiwan and the UK) have laws making it a criminal offence for a Company or an individual to assist in the laundering of the proceeds of serious crime.

The Company conducts its business in conformity with all laws and regulations of the jurisdictions in which it transacts business. In order to ensure that the Company meets its legal obligations, employees of PCMPL must be mindful of the problem of money laundering and constantly vigilant for signs of such activity. Every effort must be made to "know" and verify the identity of the Company's customers, to be aware at all times of what might constitute a suspicious transaction or suspicious counterparty behaviour and record-keeping procedures, and to observe Companies procedure for reporting suspicious circumstances to Management, Compliance and the relevant authorities.

Recognizing and combating money laundering: "Know Your Customer". The types of transactions which may be used by a money launderer are almost unlimited, making it difficult to define a suspicious transaction. It is, however, reasonable to question a transaction which may be inconsistent with an investor's known, legitimate business or personal activities or with the normal business for that type of investor. Hence, the first key to recognition is to "know your customer".

Employees should be sensitive to potential warning signs of money laundering.

When establishing a relationship, maintaining a relationship or providing services, especially when dealing with a client.

### **5. What is Money Laundering?**

Money Laundering may be defined as cleansing of dirty money obtained from legitimate or illegitimate activities including drug trafficking, terrorism, organized crime, fraud and many other crimes with the objective of hiding its source and rendering it in legally usable form. It is any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources. The process of money laundering involves creating a web of financial transactions so as to hide the origin of and true nature of these funds.

This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

The first stage in the process is placement. The placement stage involves the physical movement of currency or other funds derived from illegal activities to a place or into a form

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that is less suspicious to law enforcement authorities and more convenient to the criminal. The proceeds are introduced into traditional or non-traditional financial institutions or into the retail

economy. The second stage is layering. The layering stage involves the separation of proceeds from their illegal source by using multiple complex financial transactions (e.g., wire transfers, monetary instruments) to obscure the audit trail and hide the proceeds. The third stage in the money laundering process is integration. During the integration stage, illegal proceeds are converted into apparently legitimate business earnings through normal financial or commercial operations. Having identified these stages money laundering process, financial institutions are required to adopt procedures to guard against and report suspicious transactions that occur in any stage.

## 6. Financial Intelligence Unit (FIU) – INDIA

The government of India set up Financial Intelligence Unit (FIU-INDIA) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister. FIU-INDIA has been established as the central national agency responsible for receiving, processing, analysing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordination and stretching forts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

## 7. Policy and procedures to Combat Money Laundering and Terrorist Financing

PCMPL has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame work for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to FIU as per the guidelines of PMLA Rules, 2002. Further, member shall regularly review the policies and procedures on PMLA and Terrorist Financing to ensure their effectiveness.

## 8. Implementation of this Policy

Ms. Madhu Lunawat, Fund Manager of the Company, is the Principal Officer (who is also appointed as Fund Manager as per CIR/MIRSD/112014 dated March 12, 2014) responsible for compliance of the provisions of the PMLA and AML Guidelines act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions. He ensures that PCMPL discharges its obligations to report suspicious transactions to the concerned authorities.

### Obligation to establish policies and procedures

Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need for financial institutions, including securities / commodities market intermediaries, to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing. The PMLA is in line with these measures and mandates that all intermediaries ensure the fulfilment of the aforementioned obligations.

To be in compliance with these obligations, the senior management of PCMPL shall be fully committed to establishing appropriate policies and procedures for the prevention of Money

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Laundering and Terrorist Financing and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements.

The Registered Intermediaries shall:

- a. Issue a statement of policies and procedures, on a group basis where applicable, for dealing with Money Laundering (ML) and Terrorist Financing (TF) reflecting the current statutory and regulatory requirements;
- b. Ensure that the content of these Directives are understood by all staff members;
- c. Regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures;
- d. Adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF;
- e. Undertake client due diligence (“CDD”) measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction;
- f. Have a system in place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- g. Develop staff members’ awareness and vigilance to guard against ML and TF

Policies and procedures to combat ML shall cover:

- a. Communication of group policies relating to prevention of ML and TF to all management and relevant staff;
- b. Client acceptance policy and client due diligence measures, including requirements for proper identification;
- c. Maintenance of records;
- d. Compliance with relevant statutory and regulatory requirements;
- e. Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and
- f. Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff, of their responsibilities in this regard. The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization.

## 9. Record Keeping

Member shall ensure compliance with the record keeping requirements contained in the FMC, SEBI Act, 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

## 10. Maintenance of records of transactions

Every reporting entity shall maintain the record of all transactions including, the record of—

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1. all cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
2. all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency;
3. all transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency;
4. all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
5. all suspicious transactions whether or not made in cash and by way of-
  - deposits and credits, withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained by way of—
    - cheques including third party cheques, pay orders, demand drafts, cashiers cheques or any other instrument of payment of money including electronic receipts or credits and electronic payments or debits, or
    - travellers cheques, or
    - transfer from one account within the same banking Company, financial institution and intermediary, as the case may be, including from or to Nostro and Vostro accounts, or
    - any other any other mode in whatsoever name it is referred to;
  - credits or debits into or from any non-monetary accounts such as d-mat account, security account in any currency maintained by the banking Company, financial institution and intermediary, as the case may be;
  - money transfer or remittances in favour of own clients or non-clients from India or abroad and to third party beneficiaries in India or abroad including transactions on its own account in any currency by any of the following: -
    - payment orders, or
    - cashiers cheques, or
    - demand drafts, or
    - telegraphic or wire transfers or electronic remittances or transfers, or
    - internet transfers, or
    - Automated Clearing House remittances, or
    - lock box driven transfers or remittances, or
    - remittances for credit or loading to electronic cards, or
    - any other mode of money transfers by whatsoever name it is called;
  - loans and advances including credit or loan substitutes, investments and contingent liability by way of:
    - subscription to debt instruments such as commercial paper, certificate of deposits, preferential shares, debentures, securitized participation, inter-bank participation or any other investments in securities or the like in whatever form and name it is referred to, or
    - purchase and negotiation of bills, cheques and other instruments, or

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- foreign exchange contracts, currency, interest rate and commodity and any other derivative instrument in whatsoever name it is called, or
  - letters of credit, standby letters of credit, guarantees, comfort letters, solvency certificates and any other instrument for settlement and/or credit support;
- collection services in any currency by way of collection of bills, cheques, instruments or any other mode of collection in whatsoever name it is referred to.

6. all cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India;

7. all purchase and sale by any person of immovable property valued at fifty lakh rupees or more that is registered by the reporting entity, as the case may be.

#### **11. Retention of Records:**

- a. Maintenance of records pertaining to transactions of clients is preserved in a manner that allows easy and quick retrieval of data as and when requested by competent authority, for a period of five years.
- b. Member shall maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, for a period of five years from the date of the transactions between the client and the intermediary.
- c. Further, the records mentioned in Rule 3 of PMLA Rules have to be maintained and preserved for a period of five years from the date of transactions between the client and intermediary.
- d. The intermediary shall ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transaction of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND. Suspicious transactions shall also be regularly reported to the higher authorities within the intermediary.
- e. Further, the compliance cell of the intermediary shall randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.

#### **12. Monitoring of transactions**

- Member regular monitors the transactions to identify any deviation in transactions / activity for ensuring effectiveness of the AML procedures.
- Member shall pay special attention to all unusually large transactions / patterns which appears to have no economic purpose.
- The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/stock exchanges/FIU-IND/other relevant



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Authorities, during audit, inspection or as and when required. These records are required to be maintained and preserved for a period of five years from the date of transaction between the client and intermediary as is required under the PMLA.

### **13. Suspicious Transactions**

All are requested to analyse and furnish details of suspicious transactions, whether or not made in cash. Suspicious transactions shall also be regularly reported to the higher authorities within the intermediary. Intermediaries shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting. It should be ensured that there is no undue delay in analysis and arriving at a conclusion. While determining suspicious transactions, intermediaries shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time. Indicative types of Suspicious Transactions, Abandoned Transactions, TAT for reporting Suspicious Transactions and additional due diligence for transactions from clients from high risk countries are also given in the FMC / SEBI circular.

#### **What is a Suspicious Transactions?**

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 circumstance of unusual or unjustified complexity; or appears to have no economic rationale or bonafide purpose.

##### **a. Reasons for Suspicious:**

- Identity of client
- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Clients in high-risk jurisdiction
- Suspicious background or links with criminals

The Principal Officer for any suspicious transactions will scrutinize transactions filtered out of the following filters in detail. As the Business dynamics are very varied and complex, defining transaction types for reporting will not be undertaken at this juncture (all CTRs & STRs). Having said that, the Principal Officer will review all the transactions thrown out by the filters and decides on a case-to-case basis to report to FIU with in stipulated time with complete details

#### **What to Report:**

- The nature of the transactions
- The amount of the transaction and the currency in which it was denominated
- The date on which the transaction was conducted
- The parties to the transaction
- The reason of suspicion.

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### **Rights & Power of Principal officer:**

1. Overall monitoring & implementation of the Company's KYC/AML/CFT policy and to make changes/amendments in the PMLA/CFT policy of PCMPL from time to time along with requirement of Record Keeping, retention, monitoring and reporting.
2. To ask specific nature of its business organizational structure, income details and its way and about the nature of transaction etc. of its clients and its business related entities.
3. Dealing with regulators like SEBI, FIU-INDIA or any other law enforcement agency including ministries which are involved in the fight against money laundering and combating financing of terrorism.
4. In defining the role of Internal audit/Compliance function to ensure compliance with policies, procedures, and controls relating to prevention of money laundering and terrorist financing, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff of their responsibilities in this regard.
5. In conduct of any Programme/Seminar/Presentation etc. for the training of the Staff, Registered Intermediary with PCMPL and any other person in connection to the PCMPL to increase awareness and vigilance to guard against money laundering and terrorist financing.

Irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, member shall file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime.

### **14. Policy with respect to Employees' Hiring / Training & Investor Education:**

#### **Policy on Hiring of key Employees:**

The Company shall have adequate screening procedures in place to ensure high standards when hiring employees. They shall identify the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

At the time of screening key employees in the Company, the HR personnel should make sure that the key employees must be made aware about the AML/CFT requirement at the time of joining the organization and on such other time as they deem fit to ensure that key employees\* shall perform & discharge their duties efficiently and effectively to combat risk of money laundering which is considered to be a prominent area/aspect in an industry in which the Company operates.

\*Key employees are employees as per the list maintained by HR personnel from time to time.

Policy on Employees' training

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Staffs who deal directly with the public are the first point of contact with potential money launderers. Their efforts are therefore vital to the reporting system for such transactions. Staff

should keep abreast of the practices to identify suspicious transactions and on the procedure to be adopted when a transaction is deemed to be suspicious. In short, employees must familiarize themselves with their customers' normal trading activities and usual market practices in order to recognize anomalous behaviour. Suspicions concerning the source of assets or the nature of a transaction may not be ignored. It is the active responsibility of every person at the Company to seek to ensure that the Company facilities are not being misused.

The Company should have an on-going employee training programme in terms of following:

- i. Circulating information from time to time to the concerned employees pursuant to the PMLA requirement wherein all the employees are made aware about requirement of PMLA viz. procedures to be followed while dealing with potential clients, on-going due diligence in terms of risk profile, clients' transactions etc.
- ii. Conducting presentations from time to time to create awareness amongst the concerned employees.

#### Policy on Investor Education:

With a view to discharge our responsibility in the view of PMLA requirement, the Company should endeavour to do the following:

Provide literature to potential clients which make them aware about the AML/CFT requirement. Disseminating / spreading the information amongst the investors/clients via different modes.

### **15. Co-operation with statutory authorities**

Employees shall provide all requisite co-operation and assistance to the relevant statutory authorities, including the Securities and Exchange Board of India ("SEBI") / FMC and shall comply with all lawful instructions that may be issued by such authorities from time to time. In the event of the Employees receiving any summons, requests, notices or demands from SEBI, income-tax or other statutory authorities or being named parties in any legal proceeding, whether in their personal capacity or otherwise, they shall forthwith inform the Designated Officer in writing of the same and furnish all details as may be required by the Designated Officer in this behalf.

### **16. Procedure for freezing of funds, financial assets or economic resources or related services**

Section 51A, of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of Section 51A of the UAPA. Under the aforementioned Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further

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empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged

in terrorism. The obligations to be followed by intermediaries to ensure the effective and expeditious implementation of said Order has been issued vide SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009, which needs to be complied with scrupulously.

## 17. Appointment of a Fund Manager

In addition to the existing requirement of designation of a Principal Officer, the registered intermediaries shall also designate a person as a 'Fund Manager'. In terms of Rule 2 (ba) of the PML Rules, the definition of a Fund Manager reads as under:

"Fund Manager means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes:

- the Fund Manager duly authorized by the Board of Directors if the reporting entity is a Company,
- the managing partner if the reporting entity is a partnership firm,
- the proprietor if the reporting entity is a proprietorship concern,
- the managing trustee if the reporting entity is a trust,
- a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and
- Such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above."

In terms of Section 13 (2) of the PML Act (as amended by the Prevention of Money-laundering (Amendment) Act, 2012), the Director, FIU-IND can take appropriate action, including levying monetary penalty, on the Fund Manager for failure of the intermediary to comply with any of its AML/CFT obligations.

Registered intermediaries shall communicate the details of the Fund Manager, such as, name, designation and address to the Office of the Director, FIU-IND.

## 18. Designation of an officer for reporting of suspicious transactions

To ensure that the registered intermediaries properly discharge their legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors. Names, designation and addresses (including email addresses) of 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU. As a matter of principle, it is advisable that the 'Principal Officer' is of a sufficiently senior position and is able to discharge the functions with independence and authority.

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