

ALANKIT IMAGINATIONS LIMITED

**Know Your Client (KYC)/Anti Money
Laundering (AML) & Surveillance
Policy**

CONFIDENTIAL

1. PREFACE

This Know Your Customer (KYC) and Anti-Money Laundering (AML) Policy (the Policy) has been prepared in accordance Prevention of Money Laundering Act, 2002 (PMLA Act). This Policy also takes into account the provisions of the PMLA Act and other Rules and Regulations laid down by SEBI, FMC, FIU or any other regulator.

The policy provides for

1. All cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.
2. 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 have taken place within one calendar month and the monthly aggregate exceeds an amount of rupees 10 lakhs or its equivalent in foreign currency
3. All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non-monetary account such as Demat account, security account maintained by the registered intermediary.

For the purpose of suspicious transactions reporting, apart from ‘transactions integrally connected’, ‘transactions remotely connected or related’ need to be considered. In case there is a variance in CDD/AML standards prescribed by SEBI and the regulators of any other country in which the ALANKIT operates, ALANKIT shall be required to adopt the more stringent requirements of the two.

This Policy only supplements the existing SEBI / FIU guidelines relating to KYC/AML and any subsequent guidelines from the date of the Policy on KYC/AML will be implemented immediately, with subsequent ratification by the Board. Extant regulations will at any point in time override this Policy.

2. KYC/AML philosophy of ALANKIT

- 2.1 The KYC / AML philosophy of ALANKIT is to prevent ALANKIT from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. The objective of this policy is also to enable ALANKIT to know / understand its customers and their financial dealings better which in turn will help ALANKIT to manage its risks prudently.

- 2.2 It is important that ALANKIT's management views "money-laundering prevention" and "knowing your customer" as part of the risk management strategies and not simply as stand-alone requirements that are being imposed by legislation/regulators.

Hence the objective of the policy is to –

1. To have a proper Customer Due Diligence (CDD) process before registering clients.
2. To monitor and report suspicious transactions.
3. To discourage and identify money laundering or terrorist financing activities.
4. To take adequate and appropriate measures to follow the spirit of the PMLA.

3. **Money Laundering?**

ALANKIT shall adopt appropriate KYC procedures and internal controls measures to:

- (i) Determine and document the true identity of the customers who establish relationships, open accounts or conduct significant business transactions and obtain basic background information on customers;
- (ii) Assess the money laundering risk posed by customers' expected use of ALANKIT's products and services;
- (iii) Protect ALANKIT from the risks of doing business with any individual or entity whose identity cannot be determined or whose ultimate beneficial owner cannot be determined or who refuses to provide information, or who have provided information that contains significant inconsistencies which cannot be resolved after due investigation.

4. **Customer Acceptance Policy**

- 4.1 No account shall be opened in anonymous or fictitious / benami name(s). PAN shall be mandatory for each account. Each client shall have only one trading account.
- 4.2 Clients of Special Category (CSC) as defined as per SEBI circular dated 4th July 2018, will be classified as 'High Risk'. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.

4.3 While the profile of the customer is captured in the account opening form, a Customer Due Diligence (CDD) sheet is carried out.

CDD shall include the following measures –

- Before registering client, obtain Antecedent information.
- In person verification is to be carried out as per the requirements of the regulators. Further check would be done for actual beneficial ownership and control of the particular account.
- Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted. We need to obtain the details with respect to Shareholders from the non-individual clients We shall also take care at the time of settlement regarding nature of transaction, movement/source of transaction, etc. Periodically to ask for clients financial details to determine the genuineness of transaction. Special care would be taken in case of non-individual accounts such as corporate, partnership firms etc, where the ownership structure is opaque..
- **“Beneficial owner”** is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted, including those persons who exercise ultimate effective control over a legal person or arrangement. ALANKIT shall be guided by and follow SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012 in this regard and such amendments thereto from time to time.
- **Reliance on third party for carrying out Client Due Diligence (CDD)**

In-person verification and verification of document copies of clients / prospective clients against originals are to be done and reliance on third parties / external entities, where necessary, in accordance with SEBI / Exchange / Regulatory guidelines in this regard as may be amended from time to time. *{At this point in time, in case of stock brokers and their Authorized Persons i.e. APs (appointed by the stock-brokers after getting approval from concerned stock exchanges) can perform In-Person Verification*

– as per SEBI Circular dated December 23, 2011} or one can rely on IPV / KYC as “verified” and available in KRAs. No other third party may be relied on, unless expressly authorized under SEBI / Exchange / Regulatory guidelines in this regard.

- **Ongoing due diligence and scrutiny** – We shall conduct periodic due diligence and scrutiny of client’s transaction and accounts to ensure that transactions are being conducted in knowledge, to find out the risk profile, source of funds, etc. At regular interval, ongoing due diligence and scrutiny needs to be conducted i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the Organization’s knowledge of the client, its business and risk profile, taking into account, where necessary, the customer’s source of funds.
- For all clients applying for trading rights in the futures and options/currency/commodity segments, further details as regards their proof of income and source of funds and shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

4.4 Necessary checks shall be conducted before opening a new account so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations or banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide. For conducting such reviews, while ALANKIT shall check the lists provided by SEBI/FMC/Exchanges/internally maintained negative lists, it shall rely primarily on the United Nations list which is available at <http://www.un.org/sc/committees/1267/consolist.shtml> and <http://www.un.org/sc/committees/1988/list.shtml>). The list of FATF countries is also updated on an ongoing basis to ensure that clients covered under the high risk countries as per the FATF list are not allowed to open accounts through ALANKIT.

4.5 ALANKIT shall not open an account or shall close an existing account where ALANKIT is unable to apply appropriate customer due diligence measures/KYC policies This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. It shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is

suspicious trading in determining whether to freeze or close the account. Wherever possible, ALANKIT shall take necessary measures to ensure that it withholds securities or money that may be from suspicious trades and shall consult the relevant authorities in determining next steps when it suspicious and reportable transactions are observed.

In case of accounts of partnership firms, account opening team shall check the Partnership Deed of the entity.

In case of accounts of LLPs, account opening team shall check the Deed of the LLP and the list of partners of the LLP to ensure no HUF is a partner. In case an HUF is a partner in the LLP, the account shall not be opened. (Ref. MCA Circular dated 29.07.2013).

Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the Principal Officer for necessary action.

- 4.6 ALANKIT shall apply due diligence when an account is operated by a mandate holder or where an account is opened by an intermediary in fiduciary capacity. KYC documents will be taken for both the mandate holder/intermediary in fiduciary capacity and the account holder. Adequate verification of a person's authority to act on behalf of the client shall be carried out.

5. **Customer Identification Procedure**

- 5.1 Customer identification procedure means verifying the identity of the customer by using reliable, independent source documents, data or information. ALANKIT needs to obtain sufficient information necessary to establish, to its satisfaction, the identity of each new customer, and the purpose of the intended nature of relationship. ALANKIT must also be able to satisfy the regulators that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place.
- 5.2 ALANKIT shall have in place a comprehensive Customer Identification Procedure which details the various documents that ALANKIT can take as Identity, Address proof for various types of customers (refer **Annexure B**).

However, merely obtaining identification documents for identity, address and signature proof from the customer does not mean that the KYC is complete. KYC means actually knowing the customer, nature of his business and the purposes for which ALANKIT account will be used.

5.3 ALANKIT may ask for periodical updation of customer identification and other data after the account is opened.

6. **Monitoring of Transactions**

6.1 Ongoing monitoring is an essential element of effective AML procedures. ALANKIT can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity.

6.2 ALANKIT shall have in place a transaction monitoring process from a KYC/AML perspective. The Surveillance team shall also monitor the alerts provided by the exchanges per their circular NSE/INVG/22908 dated March 7, 2013.

6.3 ALANKIT shall put in place a system of periodical review of risk categorization of accounts. Such review of risk categorisation of customers shall be carried out at a periodicity of once in two years or such lower frequency as possible or desirable.

6.4 It would be ensured that record of transaction is preserved and maintained in terms of section 12 of the PMLA 2002 and / or rules made thereunder and that transaction of suspicious nature or any other transaction notified under section 12 of the act is reported to the Director, FIU-IND. Suspicious transactions shall also be regularly reported to the appropriate law authority.

6.5 Further the accounts or financial assets shall be frozen for any particular client in case so required by any regulatory authority upon receiving a notice for the same.

7 Combating Financing of Terrorism (CFT)

ALANKIT shall check for transactions which give rise to a reasonable ground of suspicion that these may involve financing of the activities relating to terrorism.

8. Maintenance of records of transactions / Information to be preserved / Maintenance and preservation of records / Cash and Suspicious transactions reporting to Financial Intelligence Unit-India (FIU-IND)

8.1 Government of India, Ministry of Finance, Department of Revenue, vide its notification dated July 1, 2005 in the Gazette of India, has notified the Rules under the PMLA Act. In terms of the Rules {Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of Banking Companies, Financial Institutions and Intermediaries) Rules, 2005}, the provisions of PMLA Act, 2002 came into effect from July 1, 2005.

8.2 Maintenance of records of transactions

ALANKIT shall have a system of maintaining proper record of all transactions including records of all transactions prescribed under Rule 3 of the Rules, as mentioned below:

- (a) all cash transactions of the value of more than Rupees Ten Lakh or its equivalent in foreign currency;
- (b) 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
- (c) 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
- (d) all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules

8.3 Information to be maintained

ALANKIT shall maintain the following information in respect of transactions referred to in Rule 3 of the Rules including all necessary information specified by the regulator to permit reconstruction of individual transactions in respect of transactions referred to in Rule 3 of the Rules:

- (a) the nature of the transactions;
- (b) the amount of the transaction and the currency in which it was denominated;
- (c) the date on which the transaction was conducted; and
- (d) the parties to the transaction.

8.4 Maintenance and Preservation of records

8.4.1 ALANKIT shall take appropriate steps to evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. Further, ALANKIT shall maintain for such number of years as would be required under the PMLA 2002 and rules made thereunder from the date of transaction between ALANKIT and the client, all necessary records of transactions, both domestic or international, which will permit / facilitate reconstruction of individual transactions (including the amounts and types of currency involved if any) as also its own findings, conclusions and clarifications received, so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity. To enable this reconstruction, ALANKIT shall retain the following information for the accounts of their customers in order to maintain a satisfactory audit trail:

- the beneficial owner of the account;
- the volume of the funds flowing through the account; and
- for selected transactions:
 - the origin of the funds;
 - the form in which the funds were offered or withdrawn, e.g. cash, cheques, etc.;

- the identity of the person undertaking the transaction;
- the destination of the funds;
- the form of instruction and authority.

ALANKIT shall ensure that all client and transaction records and information are made available on a timely basis to the competent investigating authorities.

8.4.2. Record generation, maintenance and retention –

In situations where the records relate to on-going investigations or transactions, which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.

Where required by the investigating authority, ALANKIT shall retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed there-under PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars

8.5 Reporting to Financial Intelligence Unit-India

- 8.5.1 In terms of the Rules, ALANKIT shall report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) in respect of transactions referred to in Rule 3 at the following address:

Director, FIU-IND,
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat,
Chanakyapuri,
New Delhi-110021.
Website - <http://fiuindia.gov.in/>

8.5.2 Suspicious Transaction Monitoring and Reporting (STR)

Confidentiality shall be maintained in filing of STR and NTR to FIU-IND. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion.

9. Principal Officer

The decision of the Principal Officer to report a transaction to FIU-India shall be final and binding.

10. Designated Director

An Executive director shall be appointed as the designated Director of the Company and details thereof be intimated to FIU consequent to SEBI Circular CIR/MIRSD/112014 dated March 12, 2014.

11. Customer Education / Employee's Training / Employee's Hiring

11.1 Customer/Investors' Education

Alankit shall educate the clients about the main provisions of the AML Act whenever any related alert is generated.

12. Review of Policy:

This policy has been reviewed and updated to incorporate all regulatory requirements until and including those in SEBI master circular number **SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2018/ 104 dated July 04, 2018.**

ANNEXURE 2

CUSTOMER IDENTIFICATION PROCEDURE FOR ACCOUNT OPENING

Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information.

INSTRUCTIONS/CHECK LIST FOR FILLING KYC FORM

A. IMPORTANT POINTS:

1. Self attested copy of PAN card or scan of the original PAN is mandatory for all clients, including Promoters/Partners/Karta/Trustees and whole time directors and persons authorized to deal in securities on behalf of company/firm/others.
2. Copies of all the documents submitted by the applicant should be self-attested or certified and accompanied by originals for verification. In case the original of any document is not produced for verification, then the copies should be properly attested by entities authorized for attesting the documents, as per the below mentioned list.
3. If any proof of identity or address or any other document is in a foreign or vernacular language, then translation into English is required.
4. Name & address of the applicant mentioned on the KYC form, should match with the documentary proof submitted.
5. If correspondence & permanent address are different, then proofs for both have to be submitted.
6. Sole proprietor must make the application in his individual name & capacity.
7. For non-residents and foreign nationals, (allowed to trade subject to RBI and FEMA guidelines), copy of passport/PIO Card/OCI Card and overseas address proof is mandatory.

8. For foreign entities, CIN is optional; and in the absence of DIN no. for the directors, their passport copy should be given.

9. In case of Merchant Navy NRI's, Mariner's declaration or certified copy of CDC (Continuous Discharge Certificate) is to be submitted.

10. For opening an account with Depository participant or Mutual Fund, for a minor, photocopy of the School Leaving Certificate/Mark sheet issued by Higher Secondary Board/Passport of Minor/Birth Certificate must be provided.

11. Politically Exposed Persons (PEP) are defined as individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior Government/judicial/ military officers, senior executives of state owned corporations, important political party officials, etc.

B. Proof of Identity (POI): - List of documents admissible as Proof of Identity:

1. PAN card with photograph.
2. Unique Identification Number (UID) (Aadhaar)/ Passport/ Voter ID card/ Driving license (Additional).
3. Identity card/ document with applicant's Photo, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members; and Credit cards/Debit cards issued by Banks.

C. Proof of Address (POA): - List of documents admissible as Proof of Address:

(*Documents having an expiry date should be valid on the date of submission.)

1. Passport/ Voters Identity Card/ Ration Card/ Registered Lease or Sale Agreement of Residence/ Driving License/ Flat Maintenance bill/ Insurance Copy.
2. Utility bills like Telephone Bill (only land line), Electricity bill or Gas bill - Not more than 3 months old.
3. Bank Account Statement/Passbook -- Not more than 3 months old.

4. Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
5. Proof of address issued by any of the following: Bank Managers of Scheduled Commercial Banks/Scheduled Co-Operative Bank/Multinational Foreign Banks/Gazetted Officer/Notary public/Elected representatives to the Legislative Assembly/Parliament/Documents issued by any Govt. or Statutory Authority.
6. Identity card/document with address, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.
7. For FII/sub account, Power of Attorney given by FII/sub-account to the Custodians (which are duly notarized and/or apostilled or consularised) that gives the registered address should be taken.
8. The proof of address in the name of the spouse may be accepted.

D. Exemptions/clarifications to PAN

(*Sufficient documentary evidence in support of such claims is to be collected.)

1. In case of transactions undertaken on behalf of Central Government and/or State Government and by officials appointed by Courts e.g. Official liquidator, Court receiver etc.
2. Investors residing in the state of Sikkim.
3. UN entities/multilateral agencies exempt from paying taxes/filing tax returns in India.
4. SIP of Mutual Funds upto Rs 50, 000/- p.a.
5. In case of institutional clients, namely, FIIs, MFs, VCFs, FVCIs, Scheduled Commercial Banks, Multilateral and Bilateral Development Financial Institutions, State Industrial Development Corporations, Insurance Companies registered with IRDA and Public Financial Institution as defined under section 4A of the Companies Act, 1956, Custodians shall verify the PAN card details with the original PAN card and provide duly certified copies of such verified PAN details to the intermediary.

E. List of people authorized to attest the documents:

1. Notary Public, Gazetted Officer, Manager of a Scheduled Commercial/ Banks (Name, Designation & Seal should be affixed on the copy).
2. In case of NRIs, authorized officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy /Consulate General in the country where the client resides are permitted to attest the documents.

F. In case of Non-Individuals, additional documents to be obtained from non-individuals, over & above the POI & POA, as mentioned below:

Types of entity	Documentary requirements
Corporate	<ul style="list-style-type: none">• Copy of the balance sheet/Annual Report for the last 2 financial years (to be submitted every year).• Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD (to be submitted every year).• Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations.• Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly.• Copies of the Memorandum and Articles of Association and certificate of incorporation.• Copy of the Board Resolution for investment in securities market.• Authorised signatories list with specimen signatures.
Partnership firm	<ul style="list-style-type: none">• Copy of the balance sheet/Annual report for the last 2 financial years (to be submitted every year).

	<ul style="list-style-type: none"> • Certificate of registration (for registered partnership firms only). • Copy of partnership deed. • Partnership firm resolution and Authorised signatories list with specimen signatures. • Photograph, POI, POA, PAN of Partners.
Trust	<ul style="list-style-type: none"> • Copy of the balance sheet/ Annual Report for the last 2 financial years (to be submitted every year). • Certificate of registration (for registered trust only). • Copy of Trust deed. • List of trustees certified by managing trustees/CA. • Trust Resolution for opening and operating the account • Photograph, POI, POA, PAN of Trustees.
HUF	<ul style="list-style-type: none"> • PAN of HUF. • Deed of declaration of HUF/ List of coparceners. • Bank pass-book/bank statement in the name of HUF. • Photograph, POI, POA, PAN of Karta.
Unincorporated association or a body of individuals	<ul style="list-style-type: none"> • Proof of Existence/Constitution document. • Resolution of the managing body & Power of Attorney granted to transact business on its behalf. • Authorized signatories list with specimen signatures.
Banks/Institutional Investors	<ul style="list-style-type: none"> • Copy of the constitution/registration or annual report/balance sheet/Annual Report for the last 2 financial years. • Authorized signatories list with specimen signatures.
Foreign Institutional Investors (FII)	<ul style="list-style-type: none"> • Copy of SEBI registration certificate. • Authorized signatories list with specimen signatures.

Army/ Government Bodies	<ul style="list-style-type: none">• Self-certification on letterhead.• Authorized signatories list with specimen signatures.
Registered Society	<ul style="list-style-type: none">• Copy of Registration Certificate under Societies Registration Act.• List of Managing Committee members.• Committee resolution for persons authorised to act as authorised signatories with specimen signatures.• True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.

G. Additional documents to be taken in case clients want to open accounts in F&O / Currency segments –

ALANKIT shall collect documentary evidence of financial details provided by the clients who opt to deal in the derivatives segment/s at the time of registration and at the time of annual updation.

An illustrative list of documents is as below:

- a. Copy of ITR Acknowledgement
- b. Copy of Annual Accounts
- c. Copy of Form 16 in case of salary income
- d. Net worth certificate
- e. Salary Slip
- f. Bank account statement for last 6 months
- g. Copy of demat account Holding statement.
- h. Any other relevant documents substantiating ownership of assets.
- i. Self declaration along with relevant supporting.