



ANTI - MONEY LAUNDERING POLICY

of

**Holani Venture Capital Fund – I
(A scheme of Holani Venture Capital Fund)**

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HOLANI VENTURE CAPITAL FUND

SEBI REGD. NO.-IN/AIF1/24-25/14899

POLICY AND PROCEDURE TO MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM

Holani Venture Capital Fund
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1. **SCOPE:**

HOLANI VENTURE CAPITAL FUND (Hereinafter referred to as '**AIF**') is a registered category I Alternative Investment Fund *VCF* under section 12 of the Securities and Exchange Board of India Act, 1992 which was constituted in the form of Trust as enumerated in sub regulation (c) of regulation 4 of the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012 (hereinafter referred to as '**AIF Regulation**') as amended and modification thereof.

Holani Venture Capital Fund has appointed an Investment Manager namely Holani Capital Advisor LLP (hereinafter referred to as '**Investment Manager**') in terms of clause (q) of sub regulation (1) of regulation 2 of AIF Regulation which is responsible to comply AIF Regulation, all the circulars, master circulars, guidelines of Securities and Exchange Board of India and Applicable Laws including Indian Statute, law, ordinance, regulation, rule, order, bye-laws, administrative interpretation, writ, injunction, directive, judgement or decree or other instrument which have a force of law in India, as in force from time to time.

2. **POLICY APPROVAL:**

The Designated Partner of Investment Manager, at their meeting held on 30 April, 2024, adopted the Anti Money Laundering Policy.

3. **REVIEW OF POLICY:**

The policy shall be reviewed periodically as decided in the meeting of the Investment Manager. Moreover, the policy can be reviewed in consequence of the any amendment or modification in *inter alia* in the applicable provisions of The Prevention of Money Laundering Act, 2002 and rules made thereunder and the circulars issued by the Securities Exchange Board of India in respect of Anti-Money Laundering and Combating the Financing of Terrorism.

4. **BACKGROUND:**

Money laundering refers to concealing or disguising the origin and ownership of the proceeds from criminal activity, including drug trafficking, public corruption, terrorism, fraud, human trafficking, and organized crime activities. Terrorist financing is the use of legally or illegally obtained funds to facilitate terrorist activities. Money laundering and terrorist financing may involve a wide variety of financial products, services, and transactions including lending and investment products, and the financing of equipment and other property that could be used to facilitate terrorism and other criminal activity.

Almost any crime with a profit motive can create proceeds that can be laundered. For example, fraud, theft, illegal drug sales, organized crime, bribery, corruption of government officials and human trafficking can create illegal funds that a criminal seeks to convert into legitimate property without raising suspicion. Tax evasion and violations of fiscal laws can also lead to money laundering.

Generally, the money laundering process involves three stages: placement, layering and integration. As illegal funds move from the placement stage through the integration stage, they become increasingly harder to detect and trace back to the illegal source.

To address money laundering, the Government of India and other countries around the world have made money laundering a crime and prescribed regulatory requirements for compliance by the banks, financial companies/ institutions, and other regulated/ reporting entities to prevent and detect money laundering. In India and in many other countries, it is a crime to engage in a transaction with knowledge that the funds involved in the transactions are from illegal activity. Knowledge includes the concept of ‘willful blindness’ (failure to make appropriate inquiries when faced with suspicion of wrongdoing) and ‘conscious avoidance of knowledge’.

The Political Declaration and Global Programme of Action annexed to the resolution S-17/2 was adopted by the General Assembly of United Nations as its seventeenth special session on February 23rd, 1990. The Political Declaration adopted by the Special Session of the United Nations General Assembly held on 8th to 10th June, 1998 calls upon the Member States to adopt national money-laundering legislation and programme. Hence, in the fifty third years of the Republic of India the Prevention of Money-Laundering Act, 2002 was enacted which provide for confiscation of property derived from, or involved in, money-laundering and related matters, the Parliament of India enacted the Prevention of Money Laundering Act, 2002 (PMLA), as amended from time to time. Further, necessary Notifications / Rules under the said Act have been published and amended by the Ministry of Finance, the Government of India.

The PMLA has been brought into force with effect from 1st July 2005. Necessary Notifications / Rules under the said Act have been published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance, Government of India. In accordance with the definition provided sub-clause (i) clause (n) of sub section (1) of section 2 of PMLA an intermediary 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 or any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992)”

The PMLA and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (PML Rules) as amended from time to time and notified by the Government of India, mandate every **reporting entity** [which includes intermediaries registered under section 12 of the Securities and Exchange Board of India Act, 1992 (SEBI Act) and stock exchanges], to adhere to client account opening procedures, maintain records and report such transactions as prescribed therein to the relevant authorities. The PML Rules, inter alia, empower SEBI to specify the information required to be maintained by the intermediaries and the procedure, manner and the form in which such information is to be maintained. It also mandates the reporting entities to evolve an internal mechanism having regard to any guidelines issued by regulator for detecting the transactions specified in the PML Rules and for furnishing information thereof, in such form as may be directed by the regulator.

The first guidelines were issued by the Securities and Exchange Board of India (SEBI) on January 18th, 2006 vide circular having number ISD/CIR/RR/AML/1/06 in respect of money laundering.

SEBI has from time to time issued circulars/directives with regard to Know Your Client (KYC), Client Due Diligence (CDD), Anti-Money Laundering (AML) and combating the Financing of Terrorism (CFT) specifying the minimum requirements. It is emphasized that the registered intermediaries may, according to their requirements, specify additional disclosures to be made by clients to address the concerns of money laundering and suspicious transactions undertaken by clients.

The AIF has formulated the policy in line with the first SEBI circular ISD/CIR/RR/AML/1/06 dated **January 18th, 2006** updated by its master circular SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated **February 03, 2023**. The Master Circular dated February 03, 2023 was subsequently modified by the SEBI Circular SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2023/091 and SEBI/HO/MIRSD/SEC-FATF/P/CIR/2023/0170 issued on dated **June 16, 2023** and **October 13, 2023** respectively.

The updated Master Circular SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2024/78 dated **June 06, 2024** had consolidated the Master Circular dated **February 03, 2023**, Circular dated **April 26, 2023**, **June 16, 2023** and **October 13, 2023**. The Master Circular dated June 06, 2024 had inserted some new para inter alia para number 7, 9,10,14,15, 16(ii), 16(vi), 31, 49, Annexure-4 in para 55, 56-61 (*Provisions in respect of WAPA was included those was introduced by the SEBI vide its circular SEBI/HO/MIRSD-SEC-5/P/CIR/2023/062 dated April 26,2023*), 74(ii). 74(viii).

These guidelines stipulate the essential principles for combating Money Laundering (ML) and Terrorist Financing (TF) and provide detailed procedures and obligations to be followed and complied with by all the registered intermediaries. Such guidelines shall also apply to the subsidiaries of the registered intermediaries specifically in countries which do not apply or insufficiently apply the recommendation made by the Financial Action Task Force (FATF), to the extent local laws and regulations permit. When the local applicable laws and regulations prohibit the implementation of these requirement, the same shall be brought to the notice of SEBI. Hence, as per the provisions of PMLA and PML Rules, as amended from time to time and notified by the Government of India, every **reporting entity** shall have to adhere to the *client account opening procedures, maintenance records and reporting of such transactions as prescribed by the PMLA and rules notified there under*.

5. LEGISLATIVE AND ADMINISTRATIVE FRAMEWORK FOR MONEY LAUNDERING AND CFT

In exercise of the power conferred under article 77 of the Constitution of India, the Government of India (Allocation of Business) Rules, 1961 have been framed. The following Ministries, Departments, Regulators and Agencies have been allocated the work by reason or in connection with to watch the Money Laundering Activities, Combating the Financing of Terrorist, Prevention of Unlawful Activities for the internal security purpose of the India.

MINISTRY	DEPARTMENT	NAME OF ANY AGENCY/AUTONOMOUS /GOVERNMENT BODY	NAME OF ACT/RULE
Ministry of Finance	Department of Revenue	Financial Intelligence Unit and Central Economic Intelligence Bureau	The Prevention of Money Laundering Act, 2002 and The Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 as amended and modification thereof. The Weapons of Mass Destruction and their Delivery System (Prohibition of Unlawful Activities) Act, 2005 and rules made thereunder <i>w.e.f from the gazette notification S.O. 5231(E) dated November 10th, 2022.</i>
Ministry of Finance	Department of Economic Affairs	Securities and Exchange Board of India (SEBI)	The Master Circulars and Circulars in respect of Money Laundering Policy and Combating of Financing of Terrorism issued by the SEBI from time to time under the requirement of Prevention of Money Laundering Act, 2002 The Weapons of Mass Destruction and their Delivery System (Prohibition of Unlawful Activities) Act, 2005 and rules made thereunder <i>w.e.f from the gazette notification S.O. 5231(E) dated November</i>

			10th, 2022.
Ministry of External Affairs	-	-	The Weapons of Mass Destruction and their Delivery System (Prohibition of Unlawful Activities) Act, 2005 and rules made thereunder. (WAPA) The Prevention and Supersession of Terrorism (Implementation of Security Council Resolutions) Order 2007 and amendment thereof which shall be read with section 12A of WAPA.
Ministry of Home Affairs	Department of Internal Security (Rehabilitation)	Counter Terrorism and Counter Radicalization Divisions (CTCR Division) (CFT Section)	The Unlawful Activities (Prevention) Act, 1967 (UAPA) [Specifically section 35A and section 51A]. The Prevention and Supersession of Terrorism (Implementation of Security Council Resolutions) Order 2007 and amendment thereof which shall be read with section 51A of WAPA.
Ministry of External Affairs	United Nations Security Council	United Nations Security Council	The United Nations (Security Council) Act, 1947 and order issued under section 2 of such Act.

6. DEFINITION

The words and expression used and not defined in this adopted policy but defined in the Securities and Exchange Board of India Act, 1992 or **regulations** framed under section 30 of the Securities and Exchange Board of India Act, 1992 or **circulars** issued under sub section (1) or section 11 of the Securities and Exchange Board of India Act, 1992 or Securities

Contracts (Regulations) Act, 1956 or Depositories Act, 1996 or ***other applicable laws*** shall have the meanings respectively assigned to them in the such Acts or such ***other applicable laws*** hereinbefore mentioned and ***regulations, circulars, notifications, rules***, framed or issued, thereunder.

Explanation: The term ***other applicable laws*** shall mean The Prevention of Money Laundering Act, The Weapons of Mass Destruction and their Delivery System (Prohibition of Unlawful Activities) Act, 2005, The Unlawful Activities (Prevention) Act, 1967, The United Nations (Security Council) Act, 1947, Aadhar (Targeted Delivery of Financial and other Subsidies, Benefits and Services) Act, 2016 and rules and allied laws framed under all of such Acts hereinbefore mentioned.

7. CLIENT DUE DILIGENCE PROCESS

I. Overview:

The Client Due Diligence (CDD) procedure is the part of the written anti money laundering procedure under rule 9 read with clause (a) of sub rule (1) of rule 2 of PML Rules. Before coming into the effect of the gazette notification G.S.R. 576(E) dated 27 August 2023, such procedure was known as “Verification of the records of the identity of clients”. The following are the four parameters envisaged in para number 10 of the master circulars issued by the Securities and Exchange Board of India dated **February 03rd, 2023**.

- i. CDD Measures
- ii. Policy for acceptance of clients
- iii. Procedure for identifying the clients
- iv. Risk Management
- v. Monitoring of Transactions

In accordance with clause (ha) of sub section (1) of section 2 of PMLA the *Client* means a person who is engaged in a financial transaction or activity with reporting entity and includes a person on whose behalf the person who engaged in the transaction or activity, is acting. CDD shall have regard to the money laundering and terrorist financing risks and the size of the business and shall include policies, controls and procedures, approved by the senior management, to enable the reporting entity to manage and mitigate the risk that have been identified either by the registered intermediary or through national risk assessment.

II. CDD Measures:

The AIF shall obtain the adequate information in order to identify and verify the client's identity using reliable, independent source documents, data or information. Such CDD Measure shall comprise of obtaining the information in order to identify the persons who beneficially own or control the securities account. The following are the Client Due Diligence Measures and the same are in accordance with the rule 9 of PML Rules to be read with the instructions enumerated in master circular issued by the SEBI in respect of Money Laundering.

- i. The AIF shall verify the legal status of the legal person/entity through proper and relevant documents as per the Annexure-A of this Policy. The information in respect of any updation of the documents enumerated in Annexure-A shall be submitted by the clients within 30 days of such updation.
- ii. The AIF shall obtain the sufficient information in order to identify persons who beneficially own or control the security account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using reliable and independent client identification and verification procedures as mentioned in Annexure-B.
- iii. The AIF shall comply the para 4 of part B of SEBI Master Circular SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19, 2022 and amendment thereto for the purpose of identification of beneficial ownership if the client is a foreign investor.
- iv. The AIF shall not allow the opening or keep any anonymous account or account in fictitious names of accounts on behalf of other persons whose identity has not been disclosed or cannot be verified.
- v. The AIF shall exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and where necessary, the source of funds.
- vi. The AIF shall also apply client due diligence measures also to existing clients on the basis of materiality and risk, and conduct due diligence on such existing relationships at appropriate times or as may be specified by the regulator, taking into account whether and when client due diligence measures have previously been undertaken and the adequacy of data obtained , such that the information or data collected under client due diligence is kept up-to-date and relevant, particularly where there is high risk.
- vii. The AIF may carry out the digital KYC as specified in the Annexure 1 of the PML rules where offline verification cannot be carried out of any officially valid documents or proof of possession of Aadhar.
- viii. The AIF shall take the appropriate steps to evolve an internal mechanism for proper maintenance and preservation of records as called as per Annexure A and Annexure B. Such records have to maintained and preserved for a period of five years from the date of transactions between the client and AIF.
- ix. Reliance on the third party for carrying out Client Due Diligence: The registered intermediary may rely on third party for the purpose of: -
 - a. Identification and verification of the identity of a client and
 - b. Determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.

- x. The reliance on the third party for carrying out Client Due Diligence shall be in accordance with the sub rule (2) of rule 9 of the PML Rules as amended and modification thereof.

III. Procedure for Acceptance of Clients

The AIF shall frame the separate policy and procedure in respect of acceptance of clients in accordance with the procedure laid down in Master Circular SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2024/78 dated **June 06, 2024** read with master circular dated **October 12, 2023** having reference number SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169.

- i. The AIF shall collect the KYC/CKYC/KRA form of the client as per the format prescribed by SEBI.
- ii. Where the Clients have already complied with the KYC requirement, the AIF shall download the KYC/CKYC/KRA form and update the details of the clients wherever required.
- iii. The AIF shall not allow the opening of or keep any anonymous account or account in fictitious names or account on behalf of other persons whose identity has not been disclosed or cannot be verified.
- iv. The AIF shall undertake enhanced due diligence measures as applicable for Clients of Special Category (CSC) as mentioned in the Annexure C.
- v. The AIF shall conduct the adequate verification of a person's authority who act on behalf of the client.
- vi. The AIF shall ensure that the identity of the clients does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide.
- vii. The Client Due Diligence Procedure shall necessarily be conducted before acceptance of any client.

IV. Procedure of Identifying Clients

- i. The AIF shall proactively put in place appropriate risk management systems to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of Politically Exposed Persons (PEPs) as defined in **Annexure C**.
- ii. The AIF shall obtain senior management approval for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, AIF shall obtain senior management approval to continue the business relationship.

- iii. SEBI has specified the minimum requirement relating to KYC for certain classes of registered intermediaries from time to time. AIF shall frame its own internal directives based on their experience in dealing with their clients and legal requirements as per established practices.
- iv. The AIF shall comply with the requirement of various legislation inter alia Anti Money Laundering Laws and SEBI Laws and rules, regulations, directives, circulars issued thereunder so that the AIF is aware of the clients on whose behalf of dealing.
- v. The AIF shall ensure with the list of documents as specified in Annexure A and Annexure B before accepting any clients or opening their account.
- vi. The AIF shall comply the requirement of the master circular SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2024/78 dated **June 06, 2024** read with master circular dated **October 12, 2023** having reference number SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169.

V. Risk Management and Risk Assessment (Reference: G.S.R. 576 (E) dated August 27th, 2013, Ministry of Finance and Department of Revenue; CIR/MIRSD/1/2014, March 12th, 2014 Securities and Exchange Board of India) : In accordance with sub rule (13) of the rule 9 of PML Rules, the AIF shall carry risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas and products, services, transactions or delivery channels that is consistent with any national risk

The nature and extent of due diligence shall depend on the risk perceived by the Compliance team. Parameters of risk perception shall be clearly defined in terms of the nature of business activity, location of customer and his clients, mode of payments. Moreover, it is generally recognized that certain clients may be of higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transactions etc. The AIF shall adopt an enhanced client due diligence process for higher risk categories of clients.

- i. The AIF shall carry out the risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical area, nature and volume of transactions, payment methods used by clients.
- ii. The risk assessment of the AIF shall be in accordance with the FATF Guidance Money Laundering and Terrorist Financing Risk Assessment.
- iii. The client entailed in Annexure C shall be deemed to the client falling in High-Risk Category.
- iv. The Risk Assessment shall always be taken into the consideration in accordance with the following laws:
 - a. Income Tax Act, 1961
 - b. Foreign Exchange Management Act, 1999, rules and regulation framed thereunder.

- c. The Prevention of Money Laundering Act 2002 and rules made thereunder
- d. SEBI Act, 1992 and insider trading regulation made thereunder.
- e. FATCA Laws for United States
- f. The Unlawful Activities (Prevention) Act, 1967
- g. United Nations (Security Council) Act, 1947
- h. Weapons of Mass Destructions and their delivery system (Prohibition of Unlawful Activities) Act, 2005.
- i. Foreign Action Task Force Public Statement (Department of Economic Affairs DEA ID Note No. 1/10/EM/2009 pt II Dated the 29th June, 2010)

VI. Suspicious Transactions Monitoring

In accordance with the clause (g) of sub rule (1) of rule (2) of PML Rules, Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith -

- i. Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- ii. Appears to be made in circumstances of unusual or unjustified complexity; or
- iii. Appears to have no economic rationale or Bonafide purpose; or
- iv. Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism

The following kinds of activities are to be mentioned as Red Flags and reported to the Principal Officer-

- i. The client exhibits unusual concern about the Funds compliance with government reporting requirements and the Funds AML policies (particularly concerning his or her identity, type of business and assets), or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspicious identification or business documents;
- ii. The client has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations or exhibits a lack of concern regarding risks, commissions, or other transaction costs;
- iii. The client appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity;
- iv. Activity which 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 Activity that appears to have no economic rationale or Bonafide purpose or Activity that gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

- v. Client whose identity verification seems difficult or clients that appear not to cooperate;
- vi. When the sources of funds are not clear or not in keeping with clients' apparent standing/business activity;
- vii. Clients based in High-Risk Jurisdiction as mentioned by the Securities Exchange Board of India in its Financial Action Task Force;
- viii. Clients having substantial increase in business without apparent cause whose money is being received in the form of investment;
- ix. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash.
- x. Clients having attempt to transfer of investment proceeds to apparently unrelated third party;
- xi. Unusual transaction by the clients mentioned in Annexure C and business undertaken by offshore/banks/financial services.

VII. Suspicious Transactions Reporting

There are two type of reports which shall be filed to the Director of the Financial Intelligence unit i.e. Cash Transaction Report and Suspicious Transaction Report. All transaction enumerated in clause i to clause v of First Para of **Record Management-Maintenance of Records Head** of this policy shall be dealt in the following manner-

- i. Any suspicious transaction shall immediately be notified to the Designated/Principal Officer within the AIF. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall not be told of the report/ suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken. The Designated/ Principal Officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and Client Due Diligence information, transaction records and other relevant information.
- ii. It is likely that in some cases transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. It is clarified that registered intermediaries shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.
- iii. The entry number vi of Annexure C of this Policy enumerates the client of high-risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'Client of Special Category. The AIF shall take the counter measures which may include a further enhanced scrutiny of transactions, enhance relevant reporting mechanisms or systematic reporting of financial transactions, and

applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.

iv. Reporting to the Financial Intelligence Unit-India:

- a. **Appointment of Principal Officer** : The AIF shall properly discharge their legal obligations to report suspicious transaction to the authorities, the AIF shall designate a Principal Officer within its organization who would act as a central reference point in facilitating onward reporting of suspicious transactions and play active role in the identification and assessment of potentially suspicious transaction and shall have access to and be able to report to senior management at the next reporting level. Any changes in names, addresses and designation of the Principal Officer shall be intimated to the Office of the Director FIU-IND.
- b. **Appointment of Designated Director:** In addition to the existing requirement of designation of a Principal Officer, the AIF shall also designate a person as a Designated Director in terms of rule 2 (ba) of PML Rules. AIF shall communicate the details of Designated Director, such as, name designation and address to the Office of the Director FIU-IND.
- c. The transaction enumerated in clause i to clause iv of First Para of **Record Management-Maintenance of Records Head** of this policy shall be furnished by the Principal Officer of the AIF on monthly basis by the 15th day of the succeeding month.
- d. The suspicious transaction shall be submitted within seven days (7 days) of arriving at the conclusion that any transaction, whether cash or non-cash or a series of transaction integrally connected are of suspicious nature.
- e. The Principal Officer shall, on being satisfied that the transactions enumerated in clause v of First Para of **Record Management-Maintenance of Records Head** of this policy are suspicious, furnish the information promptly in writing by fax or by electronic mail to the Office of the Director FIU-IND.
- f. The AIF shall not disclose (tipping off) the fact that a Suspicious Transaction Report (**STR**) and related information is being reported or provided to the FIU-IND. Such non-disclosure of information extends not only to the filing of STR and/or related information but even before, during and after the submission of STR.

VIII. Record Management -Maintenance of Records

AIF shall maintain *the records of all transactions* as enumerated in the rule 3 of the PML Rules read with clause (a) of sub section (1) of section 12 of PMLA which shall include-

- i. all cash transactions of the value of more than ten lakhs' rupees or its equivalent in foreign currency;
- ii. all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakhs 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;
- iii. 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;
- iv. 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;
- v. all suspicious transactions whether or not made in cash and by way of :
 - a. deposits and credits, withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained in the form 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 mode in whatsoever name it is referred to;
 - b. 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;
 - c. 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 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 transfer by whatsoever name it is called;
 - d. 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, securitised participation, interbank 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 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;

- e. 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.

The AIF shall maintain and preserve the following information in respect of the transactions enumerated in rule 3 of PMLA rules-

- i. the nature of transactions;
- ii. the amount of the transactions and the currency in which it is denominated;
- iii. the date on which the transactions was conducted; and
- iv. the parties to the transactions.

The AIF shall comply the requirement of clause (a) of sub section (1) of section 12 of PMLA by retaining the following information for the accounts of their clients in order to maintain the satisfactory audit trail which shall facilitate the competent investigating authority-

- i. the beneficial owner of the account;
- ii. the volume of the fund flowing through the account; and
- iii. for selected transactions:
 - a. the origin of funds
 - b. the form in which the funds were offered or withdrawn
 - c. the identity of the person undertaking the transactions
 - d. the destination of funds
 - e. the form of instruction and authority

The AIF shall ensure that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, they 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 thereunder PMLA, other relevant legislations, Rules and Regulations or Exchange byelaws or circulars.

The AIF shall ***maintain the records of the identity of clients as*** enumerated in the rule 9 of the PML Rules read with clause (e) of sub section (1) of section 12 of PMLA which shall include. -

- i. The AIF shall maintain the separate Customer Identification Procedure as mentioned in Annexure A and Annexure B of this Policy which confirms the requirement of rule 9 of PML Rules.
- ii. The AIF shall record evidencing the identity of clients and beneficial owners as specified by the SEBI. The record of the identity of clients shall include updated

records of the identification data, account files and business correspondence and result of any analysis undertaken under rule 3 and rule 9 of PML Rules.

- iii. In case the AIF does not have any records of the identity of its existing clients, it shall obtain the records within the period specified by the SEBI, failing which the AIF shall close the account of the clients after giving due notice to the client.

IX. Record Management -Retention of Records

The AIF shall comply the sub section (3) and sub section (4) of section 12 of the PMLA specifically coming into the effect of the section 9 of The Prevention of Money-Laundering (Amendment) Act, 2012 read with rule 10 of the PML Rules which shall include-

- i. With reference to the rule 5 of PML Rules, AIF shall take the appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities.
- ii. AIF shall preserve the *records of all transactions* as enumerated in rule 3 for a period of five years from the date of transaction between client and the AIF.
- iii. AIF shall preserve the *records of documents evidencing identity of its client* as enumerated in rule 9 for a period of five years after the business relationship between a client and AIF has ended or account has been closed, whichever is later.
- iv. In a situation where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they shall be retained until it is confirmed that the case has been closed.
- v. With reference to the sub rule (6) of rule 8 of the PML Rules and sub-clause c to e of clause iv of para first of Suspicious Transaction Reporting Head of this policy, AIF shall maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported under sub rule (1), sub rule (2) and sub rule (3) of rule 8 of PML Rules, for a period of five years from the date of transaction between client and AIF. Such record shall be maintained utmost confidentially.

X. PROCEDURE FOR FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES

- i. By virtue of Section 51A of Unlawful Activities (Prevention) Act, 1967, section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005, The Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007 issued under the provisions of the United (Security Council) Act, 1947, the Central Government is empowered to freeze, seize or attach funds of and/or prevent entry into or transit

through India any individual or entities that are suspected to be engaged in terrorism.

- ii. AIF shall follow the procedure prescribed by respective regulators for freezing of accounts of designated individuals/entities in case any customer records are matched with that of designated individuals/ entities mentioned in the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007 issued under the provisions of the United (Security Council) Act, 1947 read with section 35 and 51A of Unlawful Activities (Prevention) Act, 1967, section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005.
- iii. AIF shall comply with the procedure prescribed by respective regulators for unfreezing of accounts of 'designated individuals/entities' in case of individuals/entities inadvertently affected by the freezing mechanism, upon verification that the individual/ entity is not a designated individual/entity.
- iv. AIF shall comply with the procedure prescribed by respective regulator for implementation of requests received for freezing of insurance policies of 'designated individuals/entities' without prior notice to the designated persons involved.

XI. HIRING AND TRAINING OF EMPLOYEES AND INVESTOR EDUCATION

- i. All the proposed application for employment shall be taken only from the person who have been interviewed and screened or are known to existing staff or partners.
- ii. Education and employment information which uniquely qualifies candidates for the position will be verified. In addition, reference checks will be completed prior to making the hiring decision. Employment verification shall be endeavoured be completed before making an offer of employment to any individual.
- iii. Ongoing employee training under the leadership of the Principal Officer and Designated Partner will be carried out. Training will occur based on our firm's size, its customer base, and its resources.
- iv. Training will include, at a minimum: how to identify red flags and signs of money laundering that arise during the course of the employees' duties; what to do once the risk is identified; what employees' roles are in the firm's compliance efforts and how to perform them; the firm's record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the PMLA Act.
- v. The AIF will develop training in our firm, or outsource it. Delivery of the training may include in-person lectures and explanatory memos.

XII. POLICY REVIEW

This policy must be reviewed as and when there are regulatory amendments and in absence of any amendment, on annual basis.

Annexure-A

(Clause i of CDD Measures as per the rule 9 of the PML Rules) e

S.no.	Status of the Client	Required Documents
1	Individual (<i>as per sub rule (4) of rule 9 of PML Rules</i>)	I. Aadhar Number II. Officially Valid Documents as per the rule 2(1)(d) of PML Rules a. Passport b. Driving License c. Aadhar Number d. Voter Identity e. Job Card by NREGA f. Any document notified by the in consultation with SEBI. (SEBI Kyc Master Circular) <u>Deemed Proof of Identity in Officially valid documents</u> III. The Letter issued by the UIDAI or National Population Register containing the details of name and address. IV. identity card with applicant's Photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions. V. letter issued by a gazetted officer, with a duly attested photograph of the person. <i>Deemed Proof of Address in officially valid documents if documents furnished by clients does not contain updated address:-</i> VI. utility bill which is not more than two months old of any service provider

		(electricity, telephone, post-paid mobile phone, piped gas, Water bill); VII. property or Municipal tax receipt; VIII. bank account or Post Office savings bank account statement or if the reporting entity is located in an International Financial Services Centre, statement of foreign bank; pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address; IX. letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and licence agreements with such employers allotting official accommodation. <i>Officially valid documents in case of foreign nationals.</i> X. the officially valid document presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or <i>Mission in India shall be accepted as proof of address.</i> XI. an International Financial Services Centre, the national identity card and voter identification card, by whatever name called, issued by the Government of foreign jurisdictions or agencies authorised by them capturing the photograph, name, date of birth and address of a foreign
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		national shall also be considered as officially valid document: <i>note :</i> a document shall be deemed to an “officially valid document” even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.
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2	Company: <i>(as per sub rule (6) of rule 9 of PML Rules)</i>	The Company shall submit to the AIF one certified copy of the following documents: I. Certificate of Incorporation II. Memorandum and Articles of Association III. Permanent Account Number of Company (PAN) IV. A resolution from the Board of Directors and power of attorney granted to its managers, officers, or employees, to transact on its behalf. V. Documents as are required in S.no. 1 above for an individual relating to the beneficial owner, manager, officers or employees, as the case may be, holding an attorney to transact on the behalf of the company. VI. The names of the relevant person holding senior management position VII. The registered office and Principal place of the business of the company, if it is different. <i>It is pertinent to note that the documents I to VII can be form of e-documents.</i>
3	Partnership Firm: <i>(as per sub rule (7) of rule 9 of PML Rules)</i>	The Partnership Firm shall submit to the AIF one certified copy of the following documents: I. Registration Certificate II. Partnership Deed III. Permanent Account Number IV. Documents as are required in S.no. 1 above for an individual relating to the beneficial owner, manager, officers or employees, as the case may be, holding an attorney to transact on the behalf of the company. <i>It is pertinent to note that the documents I to IV can be form of e-documents.</i>

4	Trust: <i>(as per sub rule (8) of rule 9 of PML Rules)</i>	The Trust shall submit to the AIF one certified copy of the following documents- I. Registration Certificate II. Trust Deed III. Permanent Account Number or Form 60 of the Trust IV. Documents as are required in S.no. 1 above for an individual relating to the beneficial owner, manager, officers or employees, as the case may be, holding an attorney to transact on the behalf of the company. V. The name of beneficiaries, trustees, settlor, protector, if any and authors of the trust and the address of the registered office of the trust VI. List of the trustee and documents as are required for individual in S.No. 1 above for those discharging role as trustee and authorized to transact on behalf of trust. VII. The Status of the Trustee at the time of the commencement of the account-based relationship with the AIF <i>(as per the SEBI Circular October 2023)</i>
5	Client is an unincorporated association or body of individuals <i>(as per sub rule (9) of rule 9 of PML Rules)</i>	The unincorporated association or body of individuals shall submit to the AIF one certified copy of the following documents- I. Resolution of managing body of such association or body of individual II. Power of attorney granted to him to transact on its behalf III. Permanent Account number or form number 60 IV. Documents as are required in S.no. 1 above for an individual relating to the beneficial owner, manager, officers or employees, as the case may be, holding an attorney to transact on the behalf of the company.

		V. The information which collectively establish the existence of such association or body of individuals
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Annexure-B

(Clause ii of CDD Measures as per the rule 9 of the PML Rules)

S.no.	Nature of Client	Client Due Diligence and Identification Procedure for identifying the beneficial ownership and control
1	Company	<u>Clause (a) of sub-rule (3) of rule 9 of PML Rules:</u> where the client is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means. <i>Where no natural person is identified the beneficial owner is the relevant natural persons who holds the position of senior managing officials.</i>
2	Partnership Firm	<u>Clause (b) of sub-rule (3) of rule 9 of PML Rules:</u> where the client is a partnership firm, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of/entitlement to more than ten percent of capital or profits of the partnership or who exercises control through other means. <i>Where no natural person is identified the beneficial owner is the relevant natural persons who holds the position of senior managing officials.</i>
3	Incorporated Association or Body of Individuals	<u>Clause (c) of sub-rule (3) of rule 9 of PML Rules :</u> where the client is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen percent of the property or capital or profits of such association or body of individuals; <i>Where no natural person is identified the beneficial owner is the relevant natural persons who holds the position of senior managing officials.</i>
4	Trust	<u>Clause (c) of sub-rule (3) of rule 9 of PML Rules:</u> where the client is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 33[ten] percent or more interest in the trust and any other natural person exercising ultimate effective control over the trust

		through a chain of control or ownership;
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Note : Where the client or the owner of the controlling interest is [an entity listed on a stock exchange in India, or it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions notified by the Central Government, or it is a subsidiary of such listed entities], it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such entities.

Annexure-C

(Client of Special Category)

(as per para iv of Client Acceptance Procedure)

- i. Non-resident clients
- ii. High Net-worth clients
- iii. Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations.
- iv. Companies having close family shareholdings or beneficial ownership
- v. Politically Exposed Person includes Individuals who have been entrusted with prominent public function by a foreign country, including the heads of states or Governments, senior politicians, senior government or judicial or military officers, senior executive of state-owned corporations and important political party officials
- vi. Clients in high-risk countries.

While dealing with clients from or situated in high risk countries or geographic areas or when providing delivery of services to clients through high risk countries or geographic areas i.e. places where existence or effectiveness of action against money laundering or terror financing is suspected, registered intermediaries apart from being guided by the FATF statements that inter alia identify such countries or geographic areas that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org) from time to time, shall also independently access and consider other publicly available information along with any other information which they may have access to. However, this shall not preclude registered intermediaries from entering into legitimate transactions with clients from or situated in such high-risk countries and geographic areas or delivery of services through such high risk countries or geographic areas. The intermediary shall specifically apply EDD measures, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF;

- vii. Non face to face clients

Non face to face clients means clients who open accounts without visiting the branches/offices of the registered intermediaries or meeting the officials of the registered intermediaries. Video based customer identification process is treated as face-to-face onboarding of clients;

viii. Client with dubious reputation

