

# **Sattva Holding and Trading Private Limited**

## **KNOW YOUR CUSTOMER (KYC) POLICY & PREVENTION OF MONEY LAUNDERING (PML) POLICY**

Version: 3.0  
(Version Date:11<sup>th</sup> February 2022)

**Policy Custodian:**

<b>Division</b>	Investment
<b>Officer In-Charge</b>	Principal Officer
<b>Policy Contact</b>	<a href="mailto:percy.dajee@hitechgroup.com">percy.dajee@hitechgroup.com</a>

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**Policy Governance:**

<b>Frequency of Review</b>	Annual or whenever there is any change
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<b>Approval Path</b>	Board of Directors

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## **1. Background**

The Reserve Bank of India ["RBI"] has, under the Reserve Bank of India Act, 1934 ["RBI Act"], issued the Core Investment Companies (Reserve Bank) Directions, 2016 ["the CIC Directions"]. The Directions have prescribed applicability of Know Your Customer (KYC) Directions, 2016 ["KYC Directions"], which are in line with the requirements of the Prevention of Money Laundering Act, 2002, as amended from time to time ["PMLA"].

The Company, being a Core Investment Company registered U/s 45-IA of the RBI Act as a CIC-ND-SI, is engaged in investment and financing activities to its entities in the Group, and therefore, is required to comply with the KYC Directions to the extent of its applicability to the Company while dealing with the group Companies.

In view of above, this policy document lays down the policy of the Company and the guidelines to be adhered to ensure identification of beneficial ownership and to establish best anti money laundering practices.

## **2. Objectives**

The objectives of this policy are as under:

- i. To prevent criminal elements from using Company for money laundering activities.
- ii. To enable the Company to know and understand its customers and financial dealings in a better manner, which in turn, shall help manage the risks prudently.
- iii. To establish appropriate, effective and efficient controls for detection and reporting of suspicious activities in accordance with the applicable laws / laid down procedures.
- iv. To comply with the applicable regulations and operate within the regulatory framework prescribed by the regulator.
- v. To ensure importance of KYC / AML / Combating the Financing of Terrorism ["CFT"] is established with the concerned employees / persons dealing on behalf of the Company.
- vi. To ensure adequate training to the employees / persons dealing with customers on behalf of the Company in the KYC / AML / CFT procedures.
- vii. To update and ensure continuing adherence to the Directions as issued by RBI from time to time after deliberations by the board.

### 3. Scope

This policy document covers all transactions of the Company, and is applicable organization-wide to all employees / representatives dealing on behalf of the Company.

This policy is to be read in conjunction with the operational guidelines issued by RBI and Financial Intelligence Unit – India [“FIU-Ind”] from time to time. The content of this policy shall always be read in tandem / auto-corrected with the changes / modifications as may be advised by RBI and / or by PMLA and amendments of the Directions, from time to time.

In case of any discrepancy between this policy and any directions issued by RBI, the applicable directions, as amended from time to time, shall supersede this policy.

### 4. Governance

The Board of Directors of the Company shall be responsible for the purposes of compliance with overview of the systems placed for such compliance with the Know Your Customer [“KYC”] / Anti-Money Laundering [“AML”] / Combating Financing of Terrorism [“CFT”] procedures of the Company.

The Principal Officer [“PO”] of the Company, so appointed, shall be responsible for effective and complete implementation of the procedures prescribed under this policy. The PO shall make his reporting to the Senior Management i.e. the board of directors including “Designated Director”.

The Company shall devise the internal audit function/Specialized Internal control systems in a manner, which shall extensively include verification of KYC / AML / CFT procedures undertaken by the Company, and its compliance with this policy and regulatory requirements.

**Designated Director:** The Company has appointed Promoter Director of the Company, as the Designated Director to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the Rules, as nominated by the Board of Directors.

The Designated Director of the Company shall not be the same as the Principal Officer of the Company at any point as guided in the Directions.

The Designated Director, along with other members of “Senior management” shall perform an overview function of the compliance with policies and shall evaluate the Quarterly Audit Notes prepared by the Principal Officer and other authorities to whom internal audit function is assigned.

**Principal Officer:** The Company shall designate a senior employee as a Principal Officer (PO), who shall be located at Head/Corporate Office and not be the same as the Designated Director, for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations. PO shall maintain close liaison with enforcement agencies, NBFCs, Credit Information Companies, FIU-Ind, and any other institutions involved in the fight against money laundering and CFT.

**Change in Officers:** The Company shall intimate the Regional Office of RBI, along with the office of FIU-Ind, of any change in the Principal Officer and / or Designated Director of the Company and / or their details within one month of the date of such change.

## 5. Material Concepts

### AADHAAR Number

Aadhaar number shall have the meaning assigned to it in clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016);

### Customer

For the purposes of this policy, “Customer” shall mean a person, engaged in a financial transaction / activity with the Company and includes a person on whose behalf the person who is engaged in the transaction / activity, is acting. “Person” for the purposes of this policy shall include the following category of entities forming part of the group :

- i. A Company
- ii. A Firm
- iii. An Association of Persons / Body of Individuals, whether incorporated or not
- iv. Every artificial juridical person, not falling within any one of the above persons
- v. Any agency / Office / Branch owned / controlled by any of the persons above

### Beneficial Owner

- a. Where the customer is a **company**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has/have a controlling ownership interest or who exercise control through other means.

*“Controlling ownership interest” means ownership of entitlement to more than 25 per cent of the shares or capital or profits of the company.*

*“Control” shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.*

- b. Where the customer 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/have ownership of/entitlement to more than 15 per cent of capital or profits of the partnership.
- c. Where the customer 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/have ownership of/entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.

*Term 'body of individuals' includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.*

- d. Where the customer is a **trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% 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.

#### **Officially Valid Document**

Officially Valid Document ["OVD"] means the passport, the driving licence, proof of possession of Aadhaar number, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address.

Provided that:

- a. where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.
- b. where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVDs for the limited purpose of proof of address:
  - i. utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
  - ii. property or Municipal tax receipt;
  - iii. pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
  - iv. letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory

bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation;

- c. the customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'b' above
- d. where the OVD 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 Mission in India shall be accepted as proof of address.

Explanation: For the purpose of this clause, a document shall be deemed to be an OVD 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.

#### **Unique Customer Identification Code**

The Company shall assign a Unique Customer Identification Code ["UCIC"] to both existing as well as new customers, in order to link all account-based relationships / transactions to the customer.

### **6. Customer Acceptance Policy**

The Company's Customer Acceptance Policy ["CAP"] lays down the basic criteria for acceptance of customers, with the framework constituted of the following. The Company shall ensure that:

- a. No account is opened in anonymous or fictitious/benami name.
- b. No account is opened where the RE is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.
- c. No transaction or account-based relationship is undertaken without following the Customer Due Diligence ["CDD"] procedure.
- d. the CDD procedure is applied at the UCIC level. Thus, if an existing KYC compliant customer desires to open another account, there shall be no need for a fresh CDD exercise.
- e. CDD Procedure is followed for all the joint account holders, while opening a joint account.
- f. Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.



- g. Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name / whose beneficial owners' name prima facie seems to be belonging to criminal background and / or appears in the sanctions lists circulated by Reserve Bank of India / any other recognized organization.
- h. Permanent Account Number ["PAN"] is obtained and is verified from the verification facility of the issuing authority.
- i. Where an equivalent e-document is obtained from the customer, it has verified the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
- j. The company shall ensure customer acceptance is in compliance with Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967
- k. The Company being a Core Investment Company, is not permitted to open accounts of entities outside of the ambit of its Companies in the Group.

## **7. Customer Risk Management**

The Company shall follow a risk-based approach which includes the following:

- a. Customers shall be categorised as low, medium and high-risk category, based on the assessment and risk perception.

**High Risk Customers** typically include following customers / beneficial owners:

- i. Non-Resident Customers
  - ii. High net-worth individuals without occupation track record of two or more years
  - iii. Trust, charitable organizations, Non-Government Organization (NGO), organizations receiving donations
  - iv. Companies having close family shareholding or beneficial ownership;
  - v. Firms with sleeping partners
  - vi. Politically exposed persons (PEPs) of Indian/ foreign origin;
  - vii. Person with dubious reputation as per public information available
- b. Risk categorisation shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the clients' business and their location etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

Explanation: FATF Public Statement, the reports and guidance notes on KYC/AML issued by the Indian Banks Association [“IBA”], guidance note circulated to all cooperative banks by the RBI etc., may also be used in risk assessment.

All dealings with the High Risk Customers are to be approved by the Board of Directors vide a Board Resolution.

## **8. Customer Identification Procedure [“CIP”]**

The Company shall undertake CIP in the following cases:

- a. Commencement of an account-based relationship with the customer.
- b. When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- c. When it has reason to believe that a customer is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.

Given the limited size of operations of the Company and its dealings restricted within the Group Companies, the Company shall not be offering any form of Video based Customer Identification Procedure or Digital KYC based procedures.

## **9. Outsourcing**

For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, the Company may rely on Customer Due Diligence (CDD) done by a third party, subject to the following conditions, in addition to the Company’s Outsourcing Policy:

- a. Records or the information of the CDD carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.
- b. Adequate steps are taken to satisfy that copies of identification data and other relevant documentation relating to the CDD requirements are available from the third party upon request without delay.
- c. The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PMLA.
- d. The third party is not be based in a country or jurisdiction assessed as high risk.
- e. The ultimate responsibility for CDD and undertaking enhanced due diligence measures, as applicable, is of the Company.

## **10. Customer Due Diligence [“CDD”]**

The Company, being a CIC-ND-SI, is not permitted to lend to entities not falling

within the Companies in the Group. Accordingly, the Company cannot open accounts of individuals. Given the limited operations of the Company, and the

strategic nature of each transaction, the Company does not conduct e-KYC / Digital KYC / V-CIP / Simplified Due Diligence procedures. Further, the Company also does not open small accounts.

However, CDD procedures are to be followed for individuals, that are Beneficial Owners, Authorized Signatories or Power of Attorney holders of any account of a legal entity.

**For Individuals:**

Certified Copies of following documents are to be obtained (post verification with originals):

- a. PAN Card issued by the Income Tax Department
- b. Masked AADHAAR Card (If it is not masked, Company shall ensure the AADHAAR number is redacted / blacked out)
- c. Additional one OVD

In person verification may also be conducted by the relevant officer and adequately documented.

**For Legal Entities:**

Certified Copies of following documents are to be obtained (post verification with originals):

- a. Certificate of incorporation / Registration Certificate
- b. Memorandum and Articles of Association
- c. PAN Card of the company
- d. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
- e. Last two years' audited financial statements along with audit reports
- f. Shareholding Pattern along with movements of last two years
- g. Beneficial Owners' List

## **11. On-Going Due Diligence**

The Company shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and the source of funds.

Without prejudice to the generality of factors that call for close monitoring following types of transactions shall necessarily be monitored:

- a. Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
- b. Transactions which exceed the thresholds prescribed for specific categories of accounts.
- c. High account turnover inconsistent with the size of the balance maintained.
- d. Deposit of third-party cheques, drafts, etc. in the existing and newly opened accounts.

- e. Compliance with Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967

The extent of monitoring shall be aligned with the risk category of the customer. High risk accounts have to be subjected to more intensified monitoring. A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.

## **12. Periodic Updation**

Periodic updation shall be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers.

Periodic updation refers to conducting CDD procedures afresh with latest documents. An acknowledgement of conducting CDD procedures is to be issued to the Customer.

## **13. Enhanced Due Diligence**

### **Politically Exposed Persons [“PEP”] as Customers / Beneficial Owner**

Politically Exposed Persons are 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.

As a general practice, the Company shall not undertake transactions with customers that are PEP.

On change in Non-PEP to PEP status of the customer, the Company shall gather sufficient information on Person/Customer of this category and check all the information available on the Person in the public domain. The Company shall verify the identity of the Person and seek information about the sources of funds. The decision to provide financial services to an account for PEP / account where PEP is a beneficial owner shall be taken at the Board of Directors level and shall be subjected to monitoring on an ongoing basis. The above shall also be applied to the accounts of the family members or close relatives of PEPs.

### **Trust/Nominee or Fiduciary Accounts**

The Company shall determine whether the Customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, they shall insist on receipt of satisfactory evidence of the identity of the intermediaries and of the Persons on whose behalf they are reacting, as also obtain details of the nature of the

trust or other arrangements in place. The Company shall take reasonable precautions to verify the identity of the trustees and the settlers of trust (including any Person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries shall be identified when they are defined. In the case of a foundation, branches shall take steps to verify the founder managers/ directors and the beneficiaries, if defined. There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the Customer Identification Procedures.

#### **Accounts of Legal Entities**

The Company shall be vigilant of business entities being used by individuals as a front for maintaining accounts with the Company. The Company mandatorily has to examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perception e.g. in the case of a public company it shall not be necessary to identify all the shareholders.

#### **14. Monitoring of Transactions**

Ongoing monitoring:

Ongoing monitoring is an essential element of effective KYC/AML procedures. The Company being CIC it should have dealings only with group companies and the Company shall exercise ongoing due diligence with respect to every customer and closely examine the transactions to ensure that they are consistent with the customer's profile and source of funds as per extant instructions.

#### **15. Money Laundering and Terrorism Financing Risk Assessment**

Given the Company's limited operations, the Company conducts a Money Laundering and Terrorism Financing Risk Assessment annually to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk.

As a policy, the Company (i) does not undertake any transactions in Cash, (ii) does not undertake any investment / lending activities without the explicit prior approval of the Board of Directors, and (iii) given that the Company is a CIC, the exposure is restricted to Companies in the Group. This virtually eliminates Money Laundering and Terrorism Financing Risk.

#### **16. Record Management**

The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provisions of PMLA.

The Company shall,

- a. maintain all necessary records of transactions between the Company and the customer, both domestic and international, for at least five years from the date of transaction;

- b. preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least five years after the business relationship is ended;
- c. make available the identification records and transaction data to the competent authorities upon request;
- d. introduce a system of maintaining proper record of transactions prescribed under PML Rules;
- e. maintain all necessary information in respect of transactions prescribed under PML Rules so as to permit reconstruction of individual transaction, including the following:
  - (i) the nature of the transactions;
  - (ii) the amount of the transaction and the currency in which it was denominated;
  - (iii) the date on which the transaction was conducted; and
  - (iv) the parties to the transaction.
- f. 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;
- g. maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format.
- h. Comply with the necessary reporting requirements under the PMLA and rules framed thereunder

## **17. Confidentiality of Information**

The Company shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the banker and customer.

Information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.

The Company may divulge information to government departments / statutorily required entities:

- i. Where disclosure is under compulsion of law
- ii. Where there is a duty to the public to disclose,
- iii. the interest of the Company requires disclosure and
- iv. Where the disclosure is made with the express or implied consent of the customer.

Further, the Company shall ensure compliance with Section 45NB of the RBI Act.

## **18. Reporting Requirements**

### **Reporting on FINGate 2.0 Portal**

The company shall furnish to the director, the Financial Intelligence Unit – India (FIU-Ind) information referred to in Rule 3 of PML (Maintenance of Records) Rules, 2005 in terms of Rule 7 thereof.

The company shall take note of reporting formats and comprehensive reporting formatting guide prescribed/released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist reporting entities in preparation of prescribed reports.. The Company shall register on the FINGate 2.0 portal, alongwith undertaking registration of the Principal Officer and Designated Director. The reports shall be filed by the Company online only.

### **Reporting to Financial Intelligence Unit – India (FIU-Ind)**

PO shall report information relating to cash and suspicious transactions, if detected, to the Director, Financial Intelligence Unit India (FIU-Ind) as advised in terms of the PML Rules, in the prescribed formats as designed and circulated by RBI at the following address along with necessary online filings:

The Director,  
Financial Intelligence Unit – India,  
6<sup>th</sup> Floor, Tower-2,  
Jeevan Bharati Building,  
Connaught Place,  
New Delhi - 110001, India

The Company shall maintain strict confidentiality of the fact of furnishing / reporting details of suspicious transactions.

### **Central Know Your Customer Registry [“CKYCR”]**

The Company shall register itself on the Central Know Your Customer Registry maintained by Central Registry of Securitisation and Asset Reconstruction and Security Interest of India [“CERSAI”] for the purposes of sharing KYC data. The Company shall ensure that the KYC data is regularly shared / verified from the CKYCR.

### **CERSAI**

The Company shall register itself on CERSAI, and shall share all relevant information required, relating to the equitable mortgages created in the favor of the Company.

### **Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)**

The company shall adhere to the provisions of Income Tax Rules to determine the applicability of being a Reporting Financial Institution for FATCA and comply with

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the reporting requirements.

## **19. Effective Date**

This policy version 3.0 has been adopted at the Company's Board of Directors meeting held on 11<sup>th</sup> February 2022 and shall stand applicable organization wide with effect from 14<sup>th</sup> February 2022.

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