

Anti-Money Laundering Policies and Procedures (AML)

of

**INCRED CAPITAL WEALTH PORTFOLIO
MANAGERS PRIVATE LIMITED
("COMPANY" / "INCRED CAPITAL")**

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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 Prevention of Money Laundering Act, 2002 ("PMLA") and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (Maintenance of Records Rules), SEBI Circulars. **SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023** **SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2023/091 dated June 16, 2023** and **SEBI/HO/MIRSD/SEC-FATF/P/CIR/2023/0170 dated October 13, 2023** and other Regulatory guidelines/rules prescribed by SEBI and FIU.

As per PMLA, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a stock-broker, , share transfer agent, asset management company, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser, depository participant and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India (SEBI) Act and Stock Exchanges) shall have to adhere to the client account opening procedures, maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA. The Maintenance of Records Rules empower SEBI to specify the information required to be maintained by the intermediaries and the procedure, manner and form in which it is to be maintained. It also mandates the reporting entities to evolve an internal mechanism having regard to any guidelines issued by the regulator for detecting the transactions specified in the Maintenance of Records Rules and for furnishing information thereof, in such form as may be directed by SEBI. The PMLA inter alia provides that violating the prohibitions on manipulative and deceptive devices, insider trading and substantial acquisition of securities or control as provided in Section 12A read with Section 24 of the SEBI Act will be treated as a scheduled offence under schedule B of the PMLA.

For the purpose of PMLA, transactions include:

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, such series of transactions within one calendar month.
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

“Suspicious transactions” means a transaction whether or not made in cash to a person acting in good faith –

1. gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
2. appears to be made in circumstances of unusual or unjustified complexity or
3. appears to have no economic rationale or bonafide purpose.

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.

Obligations to establish policies and procedures

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

“group” shall have the same meaning assigned to it in clause (cba) of sub-rule (1) of rule 2 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 as amended from time to time.”

Financial groups shall be required to implement group wide programmes for dealing with ML/TF, which shall be applicable, and appropriate to, all branches and majority owned subsidiaries of the financial group as under:

- a. Policies and procedures for sharing information required for the purposes of CDD and ML/TF risk management;
 - b. The provision, at group level compliance, audit, and/or AML/CFT functions, of customer, account, and transaction information from branches and subsidiaries when necessary for AML/CFT purposes. This shall include information and analysis of transactions or activities which appear unusual (if such analysis was done); similar provisions for receipt of such information by branches and subsidiaries from these group level functions when relevant and appropriate to risk management; and
 - c. Adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.
8. To be in compliance with these obligations, the senior management of InCred is fully

committed to establishing appropriate policies and procedures for the prevention of ML and TF and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. InCred will:

- i. Issue a statement of policies and procedures and implement, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements;
- ii. Ensure that the content of these Directives is understood by all staff members;
- iii. Regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures;
- iv. adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF;
- v. undertake CDD measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction;
- vi. have a system in place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- vii. develop staff members' awareness and vigilance to guard against ML and TF

1. Policies and procedures to combat ML and TF shall cover:

- i. Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc. whether in branches, departments or subsidiaries;
- ii. Client acceptance policy and client due diligence measures, including requirements for proper identification;
- iii. Maintenance of records;
- iv. Compliance with relevant statutory and regulatory requirements;
- v. Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and
- vi. Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff, of their responsibilities in this regard; and,
- vii. The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors.

Written Anti Money Laundering Procedures

2. InCred Capital has adopted written procedures to implement the anti-money laundering

provisions as envisaged under the PMLA. Such procedures shall include inter alia the following four specific parameters which are related to the overall 'Client Due Diligence Process':

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

1. KYC/AML philosophy of INCRED CAPITAL

- 1.1 The KYC / AML philosophy of INCRED CAPITAL is to prevent INCRED CAPITAL 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 INCRED CAPITAL to know / understand its customers and their financial dealings better, which in turn will help INCRED CAPITAL to manage its risks prudently.
- 1.2 It is important that INCRED CAPITAL'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 –

1. To have a proper Customer Due Diligence (CDD) process before registering clients.
2. To monitor/maintain records of all cash transactions of the value of more than Rs.10 lacs.
3. To maintain records of all series of integrally connected cash transactions within one calendar month.
4. To monitor and report suspicious transactions.
5. To discourage and identify money laundering or terrorist financing activities.
6. To take adequate and appropriate measures to follow the spirit of the PMLA.

2. What is Money Laundering?

- 2.1 Money laundering is the criminal practice of putting ill-gotten gains or dirty money through a series of transactions, so that the funds are cleaned to look like proceeds from legal activities. It is driven by criminal activities and conceals the true source, ownership, or use of funds.

In simple terms money laundering is most often described as the "turning of dirty or black money into clean or white money". If undertaken successfully, money laundering allows criminals to legitimize "dirty" money by mingling it with "clean" money, ultimately providing a legitimate cover for the source of their income.

Section 3 of the PMLA Act defines money laundering in following words:

“Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering”.

3. Why “Know Your Customer”?

- 3.1 One of the best methods of preventing and deterring money laundering is a sound knowledge of a customer’s business and pattern of financial transactions. The adoption of procedures by which financial institutions “know their customer” is not only a principle of good business but is also an essential tool to avoid involvement in money laundering.
- 3.2 INCRED CAPITAL has adopted 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 INCRED CAPITAL’s products and services;
 - (iii) Protect INCRED CAPITAL from the risks of doing business with any individual or entity whose identity 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.

Client Due Diligence (CDD)

- 3. The CDD measures comprise the following:
 - i. Obtaining sufficient information in order to identify persons who beneficially own or control the securities 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 client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately owns, control or influences a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement;

- ii. Verify the client's identity using reliable, independent source documents, data or information; Where the client purports to act on behalf of juridical person or individual or trust, we verify that any person purporting to act on behalf of such client is so authorized and verify the identity of that person. Provided that in case of a Trust, the reporting entity shall ensure that trustees disclose their status at the time of commencement of an account based relationship.

Identifying 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. The beneficial owner shall be determined as under-

4. **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.

Explanation:- For the purpose of this sub-clause:-

- a) "Controlling ownership interest" means ownership of or entitlement to more than ten per cent of shares or capital or profits of the company;
- b) "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;

5. **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.

Explanation:- For the purpose of this clause:-

"Control" shall include the right to control the management or policy decision;

6. **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;
7. Where no natural person is identified under (a) or (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;
8. **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 ten per cent 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; and
9. 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.

Applicability for foreign investors: Registered intermediaries dealing with foreign investors' may be guided by SEBI Master Circular SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19, 2022 and amendments thereto, if any, for the purpose of identification of beneficial ownership of the client;

InCred Capital monitors the compliance of the aforementioned provisions on identification of beneficial ownership by the Board of Directors.

- i. Verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (iii);
- ii. Understand the ownership and control structure of the client;
- iii. Conduct ongoing due diligence and scrutiny, 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 registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds;
- iv. InCred Capital reviews the due diligence measures including verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship, as the case may be, when there are suspicions of money laundering or financing of the activities relating to terrorism or where there are doubts about the adequacy or veracity of previously obtained client identification data; and
- v. InCred Capital periodically updates all documents, data or information of all clients and beneficial owners collected under the CDD process such that the information or data collected under client due diligence is kept up-to-date and relevant, particularly for high risk clients.
- vi. No transaction or account-based relationship shall be undertaken without following the CDD procedure.
- vii. InCred registers the details of a client, in case of client being a non-profit organisation, on the DARPAN Portal of NITI Aayog, if not already registered, and maintain such registration records for a period of five years after the business relationship between a client and the registered intermediary has ended or the account has been closed, whichever is later.
- viii. Where InCred is suspicious that transactions relate to money laundering or terrorist financing, and reasonably believes that performing the CDD process will tip-off the client, InCred will not pursue the CDD process, and shall instead file a STR with FIU- IND.

4. Customer Acceptance Policy

InCred Capital follows the below safeguards while accepting the clients:

We do 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; Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. These parameters enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher; Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile; INCRED CAPITAL has indicative categories of customers which would fall into low, medium and high-risk categories (refer **Annexure 1**). The list shall be updated with approvals from Compliance and Business groups. For the purpose of risk categorization, individuals/entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, shall be categorized as low risk. Illustrative examples of low risk customers are as follows:

- salaried employees whose salary structures are well defined;
- Government Departments and Government owned companies;
- regulators and statutory bodies; etc.

Customers that are likely to pose a higher than average risk to INCRED CAPITAL will be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc. INCRED CAPITAL shall apply Customer Due Diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear.

We undertake enhanced due diligence measures as applicable for Clients of Special Category (CSC). CSC shall include the following:

- a. Non - resident clients;
- b. High net-worth clients;
- c. Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations;
- d. Companies having close family shareholdings or beneficial ownership;
- e. Politically Exposed Persons" (PEPs). PEP shall have the same meaning as given in clause

(db) of sub-rule (1) of rule 2 of the Prevention of Money- Laundering (Maintenance of Records) Rules, 2005. The additional norms applicable to PEP as contained in the subsequent paragraph 14 of the master circular shall also be applied to the accounts of the family members or close relatives / associates of PEPs;

- f. 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 suspect, we, 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, will also independently access and consider other publicly available information along with any other information which they may have access to. However, this will not preclude InCred Capital 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; InCred 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.
- g. Non face to face clients. Non face to face clients means clients who open accounts without visiting the branch/offices of InCred Capital or meeting the officials of the InCred Capital. Video based customer identification process is treated as face-to-face onboarding of clients;
- h. Clients with dubious reputation as per public information available etc.;
- i. The above mentioned list is only illustrative and InCred Capital will exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.
- i. Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.
- ii. Ensure that an account is not opened where InCred Capital is unable to apply appropriate CDD measures. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to the intermediary is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. InCred Capital will not continue to do business with such a person and file a suspicious activity report. InCred Capital will also evaluate whether there is suspicious trading in determining whether to freeze or close the account. InCred Capital will be cautious to ensure that it does not return securities or money that may be from suspicious trades. However, InCred Capital will consult the relevant authorities in determining what action it will take when it suspects suspicious trading.

- iii. The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It will be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with InCred Capital, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client will also be carried out.
- iv. Necessary checks and balance to be put into place before opening an account so as to ensure that the identity of the client 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.
- v. The CDD process will necessarily be revisited when there are suspicion of ML/TF.

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 segments, further details as regards their proof of income and source of funds would be required.

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 etc. For conducting such reviews, while INCREC CAPITAL shall check the lists provided by SEBI/FMC/Exchanges/internally maintained lists, it shall rely primarily on the United Nations list which is available at <http://www.un.org/sc/committees/1267/consolist.shtml>. The list of FAFT 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 INCREC CAPITAL.

Process wherein the name of the client (new or existing) matches with the negative list Client identification procedure

10. The KYC policy will clearly spell out the client identification procedure (CIP) to be carried out at different stages i.e. while establishing the intermediary – client relationship, while carrying out transactions for the client or when the InCred Capital has doubts regarding

the veracity or the adequacy of previously obtained client identification data.

11. InCred Capital will be in compliance with the following requirements while putting in place a CIP:
 - i. We will 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 include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPs.
 - ii. We 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, we obtain senior management approval to continue the business relationship.
 - iii. We also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
 - iv. The client will be identified by us by using reliable sources including documents / information. We obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
 - v. The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by us in compliance with the directives. Each original document will be seen prior to acceptance of a copy.
 - vi. Failure by prospective client to provide satisfactory evidence of identity will be noted and reported to the higher authority.
12. SEBI has specified the minimum requirements relating to KYC for certain classes of registered intermediaries from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been specified or which may be specified by SEBI from time to time, we have framed our own internal directives based on our experience in dealing with clients and legal requirements as per the established practices.
13. Further, we conduct ongoing due diligence where it notices inconsistencies in the information provided. The underlying objective is to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued thereunder so that we are aware of the clients on whose behalf we are dealing.
14. We have formulated and implemented a CIP which incorporates the requirements of the PML Rules Notification No. 9/2005 dated July 01, 2005 (as amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients of the banking companies, financial institutions and intermediaries of securities market and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients. It may be noted that irrespective of the amount of investment made by clients, no

minimum threshold or exemption is available to registered intermediaries (brokers, depository participants, AMCs etc.) from obtaining the minimum information/documents from clients as stipulated in the PML Rules/ SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients. In other words, there shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures by registered intermediaries. This will be strictly implemented by all registered intermediaries and non-compliance shall attract appropriate sanctions.

Reliance on third party for carrying out Client Due Diligence (CDD)

15. We may rely on a third party for the purpose of -

- i. identification and verification of the identity of a client and
- ii. 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.

16. Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/guidelines issued by SEBI from time to time. In terms of Rule 9(2) of PML Rules:

- i. We immediately obtain necessary information of such client due diligence carried out by the third party;
- ii. We take adequate steps to satisfy ourselves that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;
- iii. We satisfy ourselves that such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;

The third party is not based in a country or jurisdiction assessed as high risk;

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

We will be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

Risk Management

Risk-based Approach

1. We apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and have policies approved by our senior management, controls and procedures in this regard. Further, we monitor the implementation of the controls and enhance them if necessary.
2. It is generally recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, we apply each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that we adopt an enhanced client due diligence process for higher risk categories of clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that we obtain necessarily depend on the risk category of a particular client.
3. Further, low risk provisions shall not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk.

Risk Assessment

4. We carry out risk assessment to identify, assess and take effective measures to mitigate the money laundering and terrorist financing risk with respect to the clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc.
5. The risk assessment carried out will consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The assessment shall be documented, updated regularly and made available to competent authorities and self-regulating bodies, as and when required.
6. InCred will identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and existing products. InCred will ensure:
 - a. To undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and
 - b. Adoption of a risk based approach to manage and mitigate the risks".
7. The risk assessment will also take into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions.

Monitoring of Transactions

8. Regular monitoring of transactions is vital for ensuring effectiveness of the AML

procedures. InCred Capital has an understanding of normal activity of the client so that it can identify deviations in transactions/ activities.

9. We pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. We specify internal threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits. The background including all documents/office records/memorandums/clarifications sought pertaining to such transactions and purpose thereof will also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/stock exchanges/FIU-IND/ other relevant Authorities, during audit, inspection or as and when required.
10. We apply client due diligence measures also to existing clients on the basis of materiality and risk, and conduct due diligence on such existing relationships appropriately. The extent of monitoring will be aligned with the risk category of the client.
11. We ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND. Suspicious transactions will also be regularly reported to the higher authorities within the intermediary.
12. Further, we randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.

Suspicious Transaction Monitoring and Reporting

13. We ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, we are guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.
14. A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:
 - i Clients whose identity verification seems difficult or clients that appear not to cooperate;
 - ii Asset management services for clients where the source of the funds is not clear or not in keeping with clients' apparent standing /business activity;
 - iii Clients based in high risk jurisdictions;
 - iv Substantial increases in business without apparent cause;
 - v Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;

- vi Attempted transfer of investment proceeds to apparently unrelated third parties;
 - vii Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services.
15. Any suspicious transaction will be immediately notified to the **Designated/Principal Officer**. 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 CDD information, transaction records and other relevant information.
16. 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. We report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction
17. Paragraph 12 (iii) (f) of the Master Circular dated February 03, 2023 categorizes clients 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 'CSC'. As a Registered intermediary, we are directed that such clients shall also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced 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.

In case of any account wherein alerts are observed on a regular basis, the risk categorization would be increased based on the consensus of the AML monitoring team and the compliance officer. Such a review would be done at least once every month.

Special attention is required for all complex, unusually large transactions / patterns which appear to have no economic purpose. The background including all documents, office records and clarifications pertaining to such transactions and their purpose will be examined carefully and findings will be recorded. Such findings, records and related documents would be made available to auditors and also to SEBI/Stock Exchanges/FIU-IND/Other relevant authorities, during audit, inspection or as and when required. These records to be preserved for such period of time as required under PMLA 2002 or any rules made thereafter.

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 appropriate law authority.

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.

Record Management

Information to be maintained

18. We maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:
- i. the nature of the transactions;
 - ii. the amount of the transaction and the currency in which it is denominated;
 - iii. the date on which the transaction was conducted; and
 - iv. the parties to the transaction.

Record Keeping

19. We ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made thereunder, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Byelaws and Circulars.
20. We maintain such records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behaviour.
21. In case of any suspected laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, we retain the following information for the accounts of clients in order to maintain a satisfactory audit trail:
- i. the beneficial owner of the account;
 - ii. the volume of the funds flowing through the account; and
 - iii. for selected transactions:
 - a. the origin of the funds
 - b. the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
 - c. the identity of the person undertaking the transaction;
 - d. the destination of the funds;
 - e. the form of instruction and authority.

22. We 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.
23. More specifically, we have put in place a system of maintaining proper record of the nature and value of transactions which has been prescribed under Rule 3 of PML Rules as mentioned below:
- i. all cash transactions of the value of more than ten lakh 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 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;

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

- iii. all cash transactions where forged or counterfeit currency notes or banknotes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
- iv. all suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into or from any non-monetary account such as demat account, security account maintained by the registered intermediary.
- v. Where InCred does not have records of the identity of its existing clients, it shall obtain the records forthwith, failing which we shall close the account of the clients after giving due notice to the client.

Explanation: For this purpose, the expression "records of the identity of clients" shall include updated records of the identification date, account files and business correspondence and result of any analysis undertaken under rules 3 and 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

Retention of Records

24. We take 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. Further, the records mentioned in Rule 3 of PML Rules have to be maintained and preserved for a period of

five years from the date of transactions between the client and intermediary.

25. As stated in paragraph 13 and 14 of the Master Circular dated February 03, 2023 we have formulated and implemented the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. Records evidencing the identity of the clients and beneficial owners as well as account files and business correspondence is maintained and preserved for a period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.
26. In situations 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.
27. We maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, as required under Rules 7 and 8 of the PML Rules, for a period of five years from the date of the transaction between the client and the intermediary.

Procedure for freezing of funds, financial assets or economic resources or related services

28. We ensure that in terms of Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA) and amendments thereto, there are no accounts in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC).
29. In order to ensure expeditious and effective implementation of the provisions of Section 51A of UAPA, Government of India has outlined a procedure through an order dated February 02, 2021 ([Annexure 1](#)) for strict compliance. These guidelines have been further amended vide a Gazette Notification dated June 08, 2021 ([Annexure 2](#)). A corrigendum dated March 15, 2023 has also been issued in this regard ([Annexure 3](#)). The list of Nodal Officers for UAPA is available on the website of MHA.

- **List of Designated Individuals/ Entities**

30. The Ministry of Home Affairs, in pursuance of Section 35(1) of UAPA 1967, declares the list of individuals/entities, from time to time, who are designated as 'Terrorists'. The registered intermediaries shall take note of such lists of designated individuals/terrorists, as and when communicated by SEBI.
31. All orders under section 35 (1) and 51A of UAPA relating to funds, financial assets or economic resources or related services, circulated by SEBI from time to time will be taken note of for compliance.

32. An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <https://press.un.org/en/content/press-release>. The details of the lists are as under:
- i. The "ISIL (Da'esh) & Al-Qaida Sanctions List", which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al-Qaida Sanctions List is available at: <https://www.un.org/securitycouncil/sanctions/1267/press-releases>.
 - ii. The list issued by United Security Council Resolutions 1718 of designated Individuals and Entities linked to Democratic People's Republic of Korea www.un.org/securitycouncil/sanctions/1718/press-releases.
33. We ensure that accounts are not opened in the name of anyone whose name appears in said list. We continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list.
34. We maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether the designated individuals/entities are holding any funds, financial assets or economic resources or related services held in the form of securities with them.
35. We leverage latest technological innovations and tools for effective implementation of name screening to meet the sanctions requirements.
36. We also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions carried through or attempted in the accounts covered under the list of designated individuals/entities under Section 35 (1) and 51A of UAPA.
37. Full details of accounts bearing resemblance with any of the individuals/entities in the list be immediately intimated to the Central [designated] Nodal Officer for the UAPA, at Fax No. 011-23092551 and also conveyed over telephone No. 011-23092548. The particulars apart from being sent by post shall necessarily be conveyed on email id: jsctcr-mha@gov.in.
38. We also send a copy of the communication mentioned above to the UAPA Nodal Officer of the State/UT where the account is held and to SEBI and FIU-IND, without delay. The communication is sent to SEBI through post and through email (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Deputy General Manager, Division of FATF, Market Intermediaries Regulation and Supervision Department, Securities and Exchange Board of

India, SEBI Bhavan II, Plot No.C7, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051. The consolidated list of UAPA Nodal Officers is available at the website of Government of India, Ministry of Home Affairs.

Jurisdictions that do not or insufficiently apply the FATF Recommendations

39. FATF Secretariat after conclusion of each of its plenary, releases public statements and places jurisdictions under increased monitoring to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing risks. In this regard, FATF Statements circulated by SEBI from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered.
40. We take into account the risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statements. We are not precluded from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statements.

Reporting to Financial Intelligence Unit-India

41. In terms of the PML Rules, we report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND,
Financial Intelligence Unit - India
6th Floor, Tower-2, Jeevan Bharati Building, Connaught
Place, New Delhi-110001, INDIA Telephone : 91-11-
23314429, 23314459
91-11-23319793(Helpdesk) Email:helpdesk@fiuindia.gov.in(For FINnet
and general queries)
ctrcell@fiuindia.gov.in
(For Reporting Entity / Principal Officer registration related queries)
complaints@fiuindia.gov.in
Website: <http://fiuindia.gov.in>

42. We carefully go through all the reporting requirements and formats that are available on the website of FIU - IND under the Section Obligation of Reporting Entity - Furnishing Information - Reporting Format (https://fiuindia.gov.in/files/downloads/Filing_Information.html). These documents contain detailed directives on the compilation and manner/procedure of submission of the reports to FIU-IND.

The related hardware and technical requirement for preparing reports, the related data

files and data structures thereof are also detailed in these documents. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, we adhere to the following:

- i. The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
 - ii. The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. 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.
 - iii. The Non Profit Organization Transaction Reports (NTRs) for each shall be submitted to FIU-IND by 15th of the succeeding month.
 - iv. The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;
 - v. Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND.
 - vi. No nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious/ non-profit organization transactions to be reported.
 - vii. Non-profit organization” means any entity or organisation, constituted for religious or charitable purposes referred to in clause (15) of section 2 of the Income-tax Act, 1961 (43 of 1961), that is registered as a trust or a society under the Societies Registration Act, 1860 (21 of 1860) or any similar State legislation or a Company registered under the section 8 of the Companies Act, 2013 (18 of 2013)
43. We will not put any restrictions on operations in the accounts where an STR has been made. Registered intermediaries and their directors, officers and employees (permanent and temporary) shall be prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/ or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level.

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

It is further clarified that “proceeds of crime” include property not only derived or obtained from the scheduled offence but also any property which may directly or indirectly be derived or obtained as a result of any criminal activity relatable to the scheduled offence.

Confidentiality requirement does not inhibit information sharing among entities in the group.

Designation of officers for ensuring compliance with provisions of PMLA

44. Appointment of a Principal Officer: To properly discharge the legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors. Names, designation and addresses (including email addresses) of 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU-IND. In terms of Rule 2 (f) of the PML Rules, the definition of a Principal Officer reads as under:
Principal Officer means an officer designated by InCred; Provided that such officer shall be an officer at the management level.

45. **Appointment of a Designated Director:** We have designated a person as a 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules, the definition of a Designated Director reads as under:

“Designated director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes –

- a) the Managing Director or a Whole-Time Director duly authorized by the Board of Directors if the reporting entity is a company,
- b) the managing partner if the reporting entity is a partnership firm,
- c) the proprietor if the reporting entity is a proprietorship firm,
- d) the managing trustee if the reporting entity is a trust,
- e) a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and
- f) such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above”.

46. In terms of Section 13 (2) of the PMLA, the Director, FIU – IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of the intermediary to comply with any of its AML/CFT obligations.

47. We communicate the details of the Designated Director, such as, name designation and address to the Office of the Director, FIU – IND.

Hiring and Training of Employees and Investor Education

48. **Hiring of Employees:** We have adequate screening procedures in place to ensure high standards when hiring employees. We identify the key positions within our own organization structures having regard to the risk of money laundering and terrorist financing and the size of our business and ensure the employees taking up such key positions are suitable and competent to perform their duties.
49. **Training of Employees:** We have an ongoing employee training programme so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients. It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.
50. **Investor Education:** Implementation of AML/CFT measures requires us to demand certain information from investors which may be of personal nature or has hitherto never been called for. Such information can include documents evidencing source of funds/income tax returns/bank records etc. This can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information. There is, therefore, a need for registered intermediaries to sensitize their clients about these requirements as the ones emanating from AML and CFT framework. We prepare specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme.

Review of Policy

“The policy shall be reviewed at least once a year or more frequently and all material changes will be highlighted to the relevant teams. Notwithstanding anything contained in the Policy, the company shall ensure to comply with any additional requirements as may be prescribed under the applicable circular(s)/ regulations/ PMLA/SEBI guidelines either existing or arising out of any amendment to such circulars/ regulations/guidelines or otherwise, issued from time to time”.

ANNEXURE 1

THE PREVENTION OF MONEY-LAUNDERING ACT, 2002 (PMLA, 2002)



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