

ANGEL ONE INVESTMENT MANAGERS & ADVISORS PRIVATE LIMITED

ANTI MONEY LAUNDERING (AML), KNOW YOUR CUSTOMER (KYC) & COMBATING THE FINANCING OF TERRORISM (CFT) POLICY

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1. **Introduction:**

Angel One Investment Managers & Advisors Private Limited (referred to as “Ionic Asset” “AOIMAPL” or the “Company/Intermediary”) is Securities and Exchange Board of India (“SEBI”) registered the Portfolio Manager vide registration no. INP000009117; an investment advisor vide registration no. INA000019804 and acts as an Investment Manager to the Alternative Investment Funds .

- 1.1 As a SEBI registered Intermediary, Ionic Asset is subject to the provisions of Prevention of Money Laundering Act, 2002. It is mandatory for SEBI registered Intermediary to put in place a system for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to the law enforcement authorities & to ensure that the anti-money laundering guidelines issued by SEBI from time to time are complied with.

1.2 **Objective of this Policy**

The company is committed to examining its anti-money laundering strategies, goals and objectives on an ongoing basis and maintaining an effective anti-money laundering program for its business that reflects the best practices for a diversified, retail financial services firm.

The objective of having an anti-money laundering policy & procedures is to have in place adequate system and internal control that help to generate suspicious alert, scrutinize the matter, report the alerts to proper authority and to prevent money-laundering activities.

This policy aims to cover Portfolio Management Services, Investment Advisory including business of Alternative Investment Fund where Company is providing services as Investment Manager.

1.3 **Definitions**

- i. “**Applicable Laws**” means any applicable Indian statute, law, ordinance, circulars, regulation including the SEBI Regulations, circular, rule, order, byelaw, administrative interpretation, writ, injunction, directive, judgment or decree or other instrument which has a force of law in India, as is in force from time to time.
- ii. “**Board**” shall mean the board of directors of the Ionic Asset.
- iii. “**CERSAI**” refers to Central Registry of Securitisation Asset Reconstruction and Security Interest.
- iv. “**CKYCR**” refers to the Central KYC Records Registry.
- v. “**Person**” means and includes any individual, partnership, limited liability partnership, corporation, company, body corporate, unincorporated organization or association, trust or other entity whether incorporated or otherwise.
- vi. “**Portfolio**” or “**Client Portfolio**” or “**Portfolio Account**” means the total holdings of Securities and goods belonging to the Client in accordance with this Agreement.

- vii. “**SEBI**” refers to the Securities and Exchange Board of India.
- viii. “**SEBI Regulations**” shall mean the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, and the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, as amended and modified from time to time, and including any circulars/notifications issued by SEBI pursuant thereto.
- ix. “**Securities**” shall mean and include securities as defined under the Securities Contracts (Regulations) Act, 1956 and any other instruments including investments (including borrowing or lending of securities) as may be permitted by the Applicable Laws from time to time.

2. **WHAT IS MONEY LAUNDERING?**

Money Laundering involves disguising financial assets so that they can be used without detection of the illegal activity that produced them. Through money laundering, the launderer transforms the monetary proceeds derived from criminal activity into funds with an apparent legal source. Money laundering is the process by which criminals attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities.

The term “Money Laundering” is also used in relation to the financing of terrorist activity (where the funds may, or may not, originate from crime). Money Laundering is a process of making dirty money look clean.

Money is moved around the financial system again and again in such manner that its origin gets hidden.

Money laundering can take many forms including:

- Trying to turn money raised through criminal activity into clean money;
- Being directly involved with any criminal property, or entering into arrangements to facilitate the laundering of it;
- Handling the benefit of acquisitive crime such as theft, fraud and tax evasion; and
- Criminals investing the proceeds of crime in the whole range of financial products.

STAGES OF MONEY LAUNDERING

Money laundering normally takes place in three distinct stages as follows:

- **Placement** - is the initial stage in which money from criminal activities is placed in financial institutions. One of the most common methods of placement is structuring---breaking up currency transactions into portions that fall below the reporting threshold for the specific purpose of avoiding reporting or recordkeeping requirements.
- **Layering** - is the process of conducting a complex series of financial transactions, with the purpose of hiding the of money from criminal activity and hindering any attempt to trace the

funds. This stage can consist of multiple securities trades, purchases of financial products such as life insurance or annuities, cash transfers, currency exchanges, or purchases of legitimate businesses.

- **Integration** - is the final stage in the re-injection of the laundered proceeds back into the economy in such a way that they re-enter the financial system as normal business funds. Banks and financial intermediaries are vulnerable from the Money Laundering point of view since criminal proceeds can enter banks in the form of large cash deposits.

2.1 Terrorist Financing

Terrorist Financing relates to the funding of terrorist activity which may, but will not always be, linked to organized crime. Whereas money laundering's primary objective is to return criminal money back to the legitimate economy, terrorist financing may occur from legitimate activity and the focus is therefore on identifying property controlled by terrorists and seeking to identify it as it is moved between jurisdictions. Identifying this and report suspicion to the authorities will allow them to freeze terrorist funds with a view to thwarting terrorist attacks.

A money laundering or terrorist financing scandal will leave any financial institution, however unwittingly involved, at risk not only of serious damage to its reputation but also of prosecution. In addition, there is a risk of civil consequences, for example, where a financial institution might be deemed to be constructive trustee of the proceeds of crime.

2.2 Money Laundering Offence as per the PMLA

- **Offences of money laundering** – 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 including its concealment, possession, acquisition or use and projecting or claiming it as untainted property shall be guilty of offence of money laundering.
- **Punishment for money laundering** – Whoever commits the offence of money laundering shall be punishable with rigorous imprisonment and penalties as prescribed under the PMLA.

2.3 Financial Intelligence Unit (FIU) India

The Government of India has set up Financial Intelligence Unit (FIU-India) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

FIU – India has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspicious financial transactions. FIU India is also responsible for coordination and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

2.4 Obligations of Ionic Asset under the PMLA

In terms of the requirement of the PMLA Act, Ionic Asset, being a financial institution is required to:

- a. Maintain the records of the identity of its clients obtained in accordance with rule 9 of the PMLA.
- b. Maintain records relating to client identification for the prescribed period from the date of cessation of transaction with the client concerned.
- c. Furnish information of suspicious transactions to the Director–Financial Intelligence Unit (‘FIU’).
- d. Verify and maintain records of the identity of all clients.

Failure on the part of Ionic Asset to comply with the above-mentioned obligations may attract the prescribed penalty and sanctions.

2.5 Suspicious Transaction

Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith -

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

Explanation - Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.

An illustrative list of circumstances which may be in the nature of suspicious transaction is as under:

- Clients whose identity verification seems difficult, or clients appear not to cooperate.
- Where the source of the funds for client’s investment(s) is not clear or not in keeping with client’s apparent standing/business activity.
- Clients in high-risk jurisdictions

3. AML Policies and Procedures

3.1 Purpose

To ensure that both senior management and all employees are committed for preventing the misuse of the company's facilities for the laundering of money derived from criminal activities, Ionic Asset is fully committed to comply with all laws and regulations aimed at combating money laundering and terrorist financing. Non-compliance with these requirements or any involvement of Ionic Asset with money laundering or terrorist financing could result in civil and criminal penalties as well as significant reputational risk for Ionic Asset.

3.2 Application of AML Policies and Procedures

3.2.1 Customer identification and due diligence measures through 'Know Your Client (KYC)' and In Person Verification (IPV)

In order to comply with regulatory provisions under the PMLA and the Rules issued there under and related guidelines/circulars issued by SEBI, KYC/customer identification and due diligence have to be done by all intermediaries before accepting application from an investor. The "Client Identification Programme" is to determine the true identity of the investors/ clients is detailed below. KYC process is mandatory for all investors/client categories and for any amount of investment.

3.2.2 Client Acceptance Policy

The PMLA and the related circulars/guidelines issued by SEBI, require all intermediaries to develop client acceptance policies and procedures that aim to identify the types of clients that are likely to pose a higher-than-average risk of money laundering and terrorist financing. The safeguards to be followed while accepting the Clients are given below:

- (i) No account is opened in a fictitious / benami name or on an anonymous basis. This shall be done by obtaining sufficient information in order to identify persons who beneficially own or control the securities account.
- (ii) Factors of risk perception 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. The parameters shall enable classification of Clients into low, medium and high risk.
- (iii) Documentation requirements and other information shall be collected in respect of different classes of Clients depending on the perceived risk and having regard to the requirements of Rule 9 or Rule 3 of the PML Rules, Directives and Circulars issued by SEBI from time to time.

- (iv) Ensure that an account is not opened where the application of appropriate client due diligence (“CDD”) measures KYC policies is not possible. This shall be applicable 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 not genuine, or there is perceived non-co-operation of the Client in providing full and complete information.
- (v) Necessary checks and balance shall be put into place 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 world wide. This shall be done by conducting a world check search on the Client.
- (vi) Associate companies, group entities, and/or related parties may invest in the products and/or services offered by Ionic Assets, either on an arm’s length basis or in accordance with the Board approval or any other policy approved by the Board in this regard.

3.2.3 KYC and IPV Procedure

- (i) KYC is required to be performed through CKYC registry at the account opening stage, i.e. at the time when the Client wish to invests/trades/deal through the intermediary.
- (ii) The intermediary is required fill & upload CKYC forms and the supporting documents to CERSAI, tentative list provided in Annexure 1
- (iii) SEBI vide Circular dated July 21, 2016, has stated that the Government of India has authorized the CERSAI, to act as, and to perform the functions of, the CKYCR, including receiving, storing, safeguarding and retrieving the KYC records in digital form of a Client. Accordingly, with effect from February 1, 2017, any new customer who has not done KYC earlier or registered at KRA shall fill the new CKYC KRA-KYC form. If such new customer wishing to invest and get KYC done has filled up old KRA KYC form, such customer would also have to fill a Supplementary CKYC Form or fill the new CKYC-KRA KYC form.
- (iv) Intermediary may conduct enhanced KYC for its Clients which don’t commensurate with their respective risk profiles.
- (v) Company shall not onboard any client without receipt of requisite KYC documents.
- (vi) IPV that is In-Person-Verification means establishing the identity of the applicant by verifying the photograph affixed in the KYC form as well as proof of identity document, with the person concerned. Incase of digital on-boarding via Aadhaar authentication etc, IPV / OSV is not mandatory
- (vii) It is important that the person conducting IPV, puts his full name, designation, organization name, date of IPV at the designated space in the KYC form.
- (viii) The IPV carried out by one SEBI registered intermediary can be relied upon by another intermediary.
- (ix) SEBI’s Master Circular in the context of recommendations made by Financial Action Task

force (FATF) on anti-money laundering standards, guidelines procedures, essential principles and obligations that concern combating Money Laundering (ML) and Terrorist Financing (TF) to be followed by all registered intermediaries.

- (x) Company shall maintain list of clients along with the reason in case of IPV not conducted for any client.
- (xi) Where applicable, Ionic Asset shall endeavor to collect the completed CKYC form & the requisite documents for uploading onto the CERSAI portal.

3.2.4 Transaction monitoring and reporting – ‘Suspicious Transactions Reporting (STR)’

To comply with the requirement of identifying & reporting of suspicious transactions to the Financial intelligence Unit (FIU), the Company reviews all the transactions of its clients to identify any that may be regarded as suspicious. Company is prohibited from accepting the Fund in Cash. Further, company is prohibited from accepting or issuing any fund and/or securities from/to third party unless such funds/securities are received from joint account, where the investor is the primary holder and other joint holders have provided the no-objection letter for investment of such fund/securities. Settlement of client’s fund/securities will be done as per the Companies Trade allocation & execution policy.

b. Overall responsibility for these procedures

Under the PMLA, a Designated Director & Principal Officer must be appointed to ensure effective systems and controls against Money Laundering and Terrorist Financing. According to the amended Rule 7(1) of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (‘PMLA Rules 2005’) mandates that all reporting entities shall communicate to FIU the name, designation and address of the Designated Director and the Principal Officer. Accordingly, Mr. Shobhit Mathur, Director is appointed as the Designated Director & Mr. Nipun Doshi is appointed as Principal Officer under PMLA Rules 2005 and SEBI norms.

Once a transaction is identified as being suspicious, the Principal Officer will report it to the Director – FIU in the format prescribed by FIU. Record of all such transactions will be maintained by the Principal Officer appointed under PMLA.

c. Responsibility for compliance with these procedures

Responsibility for compliance with these procedures’ rests with each individual employee of Ionic Asset. The employees handling Client Relationship function, Compliance and Principal Officer are directly affected by these procedures.

Individuals handling Client Relationship function which includes new client on-boarding activity

as well, shall particularly note the significance of the AML Policy and the related procedures as they are the first point of contact for the clients including prospective clients and may be required to collect information and/or documentation from them during client interaction or any investigation for suspicious transaction.

During the course of conducting your business, the employees of Ionic Asset must refrain from:

- Knowingly assisting in concealing or entering into business with criminal, use and/of possession of criminal property
- Failing to report knowledge, suspicion, or where there are reasonable grounds for knowing or suspecting, that another person is engaged in money laundering
- Tipping off an investigation to a client.
- Destroying or disposing off documents relevant to an investigation
- Failing to comply with an order from court requiring to provide certain information

If you come across any transaction or client which triggers suspicion on to your mind, please Report to the Compliance Officer/ Principal Officer/ Designated Director.

4. Control Of Politically Exposed Persons (PEP)

4.1 What is a PEP?

PEP is a person who is:

- i. An individual who is or has 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.
- ii. Family members of persons mentioned in (i) above; and
- iii. Relatives of persons mentioned in (i) above

4.2 Due Diligence, Enhanced Due Diligence and ongoing monitoring of PEP

Company will perform Re-KYC/due diligence process for clients based on their risk categorization in the following manner:

1. In case of Low risk clients: once in every 3 Financial Year (F.Y.)
2. In case of Medium risk client: once in every 2 Financial Year
3. In case of high risk & special category of client: on every Financial Year subject to completion of 1 year of client from the date of investment.

The said re-kyc needs to be completed within 30 day from the completion of F.Y.

Further, company will review and update the financial details of clients on regular intervals as

mentioned above as their risk categorization.

Politically exposed persons are those, broadly, who have or have had a high political profile, or held public office. These persons can pose a higher money laundering risk to firms as their position makes them vulnerable to corruption. This risk also extends to members of their families and to relatives. PEP status itself may put a customer in a higher category of risk.

Ionic Asset must apply enhanced customer due diligence measures while entering into business relationships with PEP.

4.3 Senior Management approval

The establishment of the business relationships with the PEP must be approved by the Principal Officer. The enhanced due diligence/monitoring required will be confirmed as part of this approval.

Any customers that become PEPs during the course of their customer relationship with Ionic Asset must be subject to special approval by the Principal Officer to decide whether that relationship can continue, and if it can; what additional due diligence, monitoring or other checks would be required.

5. Know Your Customer- Client Identification Programme

In terms of the provisions of the PMLA, the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 ('the Rules'), Ionic Asset has formulated, the following 'Client Identification Programme' for its Clients, which incorporates the requirements of Rule 9 of the Rules and such other requirements as Ionic Asset deems appropriate to determine the true identity of investors.

- 5.1 *Submission of documents pre-requisite for account opening:*** The submission of all documents, as prescribed by Ionic Asset, shall be a pre-requisite for account opening for all investors. Incomplete applications (including incomplete documentation) are subject to be rejected. Relevant information shall be sought from the investor to determine whether the investor or the beneficial owner of such investor is a politically exposed person.
- 5.2 *Maintenance of records of the identity of clients:*** Ionic Asset shall preserve the records relating to Client identification for the prescribed period from the date of cessation of transactions with the investor concerned that is after termination of agreement and full redemption of clients Portfolio, Portfolio account closure. Under SEBI PMS Regulations books of account, records and other documents are required to be maintained for a minimum period of 5 years.
- 5.3 *Implementing the Client Identification Programme:*** For this purpose investors/ clients shall be

classified into the following broad categories:

- I. Individual
- II. Non-individual

The Client Identification Programme to be followed for each of the above categories of investors is as under:

A. Proof of address and identity-Individuals

The list of documents that shall be accepted as proof of identity and address are specified in the KYC Form.

‘Know Your Client’ compliance shall be mandatory for all holders of a Portfolio Account.

This shall also be applicable for nominees, if any, on the death of the investor.

B. Proof of address and identity–Non-Individuals

In respect of applications from non-individuals (viz., company, body corporate, eligible institution, partnership firm, registered society, trust fund, association of persons, body of individuals or any other non-individual investor eligible to invest in mutual funds), the documents specified in the attached Appendix A shall be obtained.

C. Ultimate Beneficial Ownership (‘UBO’) – Non-Individuals

Beneficial owner is a natural person(s) who ultimately owns or controls a customer and/or the person on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

As per SEBI circular no. CIR/MIRSD/2/2013 dated January 24, 2013; UBO should be conducted on non-individual, trust, banking company, financial institution and intermediary, as the case may be. In case of non- individual clients, Ionic Asset shall seek information of UBO as a part of Account Opening Form. The Company shall identify the beneficial owner and take all reasonable steps to verify his identity.

5.4 Document Acceptance and In Person Verification

Document Acceptance

- a. The prescribed documents shall be collected for the clients in order to perform the KYC. The supporting documents must be sent to the KRA within 10 (ten) working days from the date of execution of documents by the client.
- b. The KYC documents submitted should match with the details provided in the KYC Form and should be valid at the time of submission.

- c. Permanent Account Number (PAN) is mandatory for all category of investors except for the exempted category as mentioned later in this document.
- d. The photocopies of the KYC documents submitted by the investors must be self-attested by investor. Photocopies of the documents must be verified against the original. A remark to the effect that “Verified with the Original” should be mentioned on each copy along with Name, Employee Code, designation, signature, date and time of the official conducting the verification. In case original of the document is not produced for verification, then the copies must be attested by the authorized officials as mentioned in Annexure2.

5.5 In-Person Verification (IPV)

SEBI has mandated IPV of clients to be carried out by all intermediaries. In case of digital it can be Aadhaar linked authentication

It is important to ensure that the details like name of the person carrying out IPV, his designation, organization with his signatures and date are recorded on the KYC format the time of IPV. IPV can be done by the designated persons (Client Relationship Manager/ Principal officer/ Back-office Head/ SEBI registered entity/ Designated Person) of the Company.

The designated person shall verify the photograph(s) affixed in the KYC form and proof of identity document(s) with the person concerned. After due verification, the details like name of the person doing IPV, his, designation and date & time must be recorded on the KYC form at the time of IPV. The person doing the IPV can also verify the documents submitted for the KYC.

Client may start trading /investing /dealing with the intermediary and its group/ subsidiary /holding company as soon as the CKYC process is complete and other Regulatory requirements are fulfilled. Currently, no IPV is required in case of non-individuals till further instructions.

5.6 RISK ASSESMENT

5.6.1 Risk Classification

Ionic Asset shall carry out risk assessment to identify, assess and take effective measures to mitigate money laundering and terrorist financing risk related to its Clients. This includes considering factors such as clients’ profiles, countries or geographical regions, transaction nature and volume, and payment methods. Based on these parameters, the Clients shall be classified into low, medium and high risk. The risk assessment is carried out taking into account any country specific information that is circulated by the Government of India and SEBI from time to time.

The risk assessment carried out is based on all the relevant risk factors before determining the level of overall risk and the appropriate mitigation measures. The assessment shall be documented, updated regularly and made available for inspection, as and when required.

(i) List of Designated Individuals/Entities and Procedure for freezing of funds, financial assets or economic resources or related services

The additional checks are maintained by validating the investor database vis-a- vis the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations 'Security Council Resolutions (these databases can be accessed at

http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml

and

<http://www.un.org/sc/committees/1988/list.shtml>

Scanning of all existing accounts shall be carried out to ensure that no account is held by or linked to any of the entities or individuals included in the list.

SEBI vide Circular ISD/AML/CIR-2/2009 dated October 23, 2009, directed the stock exchanges, depositories and registered intermediaries to ensure expeditious and effective implementation of the procedure laid down in the Unlawful Activities Prevention Act 1967 (“UAPA”) and the Order dated August 27, 2009. If any of customer’s details match the particulars of designated individuals/entities that have been officially identified as involved in or supporting unlawful activities or terrorism, intermediaries must prevent such designated persons from conducting financial transactions.

5.7 Clients of Special Category (CSC) / High Risk Investor

Clients of Special Category include the following:

- Non-resident clients
- High net – worth clients with one time investment of more than 50 cr in particular scheme / product and cumulative Investment of more than 5000cr at AOIMAPL level.
- Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
- Companies having close family shareholdings or beneficial ownership
- Politically Exposed Persons (PEP)
- Companies offering foreign exchange offerings
- Clients in high risk countries where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production,

countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, countries against which government sanctions are applied, countries reputed to be any of the following – Havens/sponsors of international terrorism, off shore financial centers, tax havens, countries where fraud is highly prevalent.

Further, the Company may conduct an enhanced due diligence for High risk investors. High risk investors may include the CSC as mentioned above.

5.8 Medium Risk

Following Investor shall be categories as Medium Risk (tentative list)

- Client at individual level with more than 10 active Bank Account mapped to Investment Portfolio
- Corporate or its promoter have file NCLT proceeding for Insolvency and Bankruptcy Code (IBC)
- Frequent redemption form the non -liquid portfolio

5.9 Low Risk

Client who are not categories in High or Medium Risk will be categories under Low Risk

6. Handling Suspicious Transactions

The Rules notified under the PMLA define a “suspicious transaction” as a transaction whether or not made in cash which, to a person acting in good faith—

- a) Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- b) Appears to be made in circumstances of unusual or unjustified complexity; or
- c) appears to have no economic rationale or bona fide purpose

Ionic Asset carries out due diligence of clients before on-boarding. In case there is any suspicion at this stage; about the client or source of money; the Company will not accept the client. At subsequent stages also the Company will be vigilant the clients’ transactions.

6.1 Recognizing Suspicious Transactions

Employee reporting of suspicious transactions

All employees, but particularly those interact with the customers, are required to internally report any suspicions of money laundering to the Principal Officer as soon as possible. If an employee knows, suspects, or has reasonable grounds to suspect that a person is engaged in money

laundering, they must report such suspicions immediately.

While it is uncommon for employees to have actual knowledge that money laundering or terrorist financing is taking place, it is imperative for the employee to be aware that offences of money laundering and failure to report will be adjudicated by a court in hindsight. Knowledge may possibly inferred from the surrounding circumstances, e.g. the employee's failure to ask pertinent questions.

Even if an employee does not have knowledge or suspicion of money laundering, an offence can be committed if such employee has reasonable grounds for suspicion but has failed to perform reasonable due diligence. This means is that the employee will be evaluated according to the standards of a reasonable person in their position. If there were facts or circumstances known to an employee that would have led a reasonable person in their role to suspect wrongdoing, then they could be held responsible for failing to report, even if they did not personally suspect anything.

Therefore, employees must be able to demonstrate that they took reasonable steps to understand their customers and the rationale behind the transaction in the given circumstances.

6.2 Examples of situations which may amount to suspicion in the minds of employees

The following examples do not necessarily lead to a conclusion that money laundering has taken place, but they could well raise the need for further enquiry. A key to recognizing suspicious transactions is to know enough about the customer to recognize that a transaction or series of transactions, is unusual for that particular customer. If in doubt, the employee should report the suspicion to the Principal Officer, who will be equipped with the expertise to determine whether customer behavior or activity is suspicious.

- (i) Client may present you with legal documents from a seemingly legitimate company along with identification of directors. If the employee suspect or certainly knows that these individuals are "fronts" for the actual beneficiary, this could be a red flag.
- (ii) Be suspicious of Clients with financial performance that is noticeably inconsistent with that of other businesses of comparable size in the same industry This inconsistency might indicate suspicious activity.
- (iii) Instances where multiple folios/accounts are being created using variations of same name should be examined closely for potential suspicious activity.
- (iv) Regular or adhoc investments made through multiple Demand Drafts/Pay Orders or source of funds appears suspicious, may require for scrutiny.
- (v) Adverse media reports about a client from media sources or social media can be a signal to investigate further.

6.3 Identification and reporting of suspicious transactions

At transaction level, Ionic Asset may scrutinize the Portfolio account taking into consideration following parameters. The list is indicative and not exhaustive-

- **Use of Demand Drafts for investments** - Demand drafts have been used for investing 3 or more times in a rolling period of 1 year. Instances to be recorded whenever client provides the Demand Draft.
- **Use of multiple Bank accounts** - Individuals investing via more than five banks accounts and non- individuals investing via more than ten banks within his / her life-time as investor or the last one year whichever is lesser.
- **Opposite transactions** – Two opposite transactions (subscription- redemption or vice a versa) in a rolling period of 30 calendar days without any specific reason
- **Non-Financial Activity in Accounts:**
 1. **Change of address or change in bank mandate during a rolling 12-month period, where:**
 - a. Changes to bank mandate are executed by individual Clients (including HUF) involving more than three different bank accounts (account numbers are different). These changes are over and above registered bank accounts.

OR
 - b. Changes to bank mandate are executed by non-individual Clients involving more than five different bank accounts (account numbers are different). These changes are over and above registered bank accounts.

OR
 - c. Changes to address are executed by any Clients (individual and non-individual) involving more than 3 different addresses.
- **Nature of Transactions–**

Investment vis-à-vis the declared income as per last available/any revised KYC application form:

Single purchase transaction by an Investor:

 - An amount of 50 or more times (of the upper band of the annual income) specified by the Investor in the KYC form.

- The transactions which are identified based on the aforesaid parameters shall be evaluated further and if any transaction is identified as suspicious, the same shall be reported to the FIU within 7 (seven) working days of ascertaining that a transaction is of suspicious nature.

6.4 Procedure before reporting

Once a suspicion has been reported to the Principal Officer, the Principal Officer will independently review all such cases and perform detailed investigations as s/he may deem necessary and draw a report of suspicious transactions and forward it to an independent committee, viz. STR committee comprising of senior management personnel such as Principal Officer under PMLA, Principal Officer under the applicable SEBI Regulations, Back Office Head. The STR committee shall analyze the suspicious transactions report and offer their comments to the Principal Officer, based on which the final reporting shall be made to the FIU-IND. The summary of report submitted shall also be placed before the Board of the Company periodically. It is the duty of each employee to ensure that the investor is not tipped off about the suspicious or reporting made to the FIU.

6.5 Tipping Off

Employees should make reasonable enquiries of a customer, tactfully, regarding the background to a transaction or activity that is inconsistent with the normal pattern of activity is prudent practice, forms an integral part of KYC monitoring and should not give rise to tipping off.

7. The Role and Responsibilities of Company Board, Designated Director, Principal Officer, Role and Responsibility of Senior Management

The Board of the Company is responsible for ensuring that Ionic Asset has effective systems and controls to counter the risk it faces in conducting its business. Overall responsibility within the Company for the establishment and maintenance of effective anti-money laundering systems and controls has been allocated to the designated Principal Officer.

1. Role and responsibilities of the Designated Director

As per PMLA Act every reporting entity shall have Designated Director. It is a duty of the Designated Director to observe the procedure and the manner of maintaining information as specified in PMLA Act. Further, the Designated Director shall ensure overall compliance with the obligations imposed under chapter IV of PMLA Act.

2. Role and responsibilities of the Principal Officer

PMLA Act requires that a Principal Officer must be appointed to ensure effective systems and controls against Money Laundering and Terrorist Financing.

The Principal Officer is responsible for the oversight of all aspects of the firm's anti-money laundering activities and is the focal point for all activity within Ionic Asset relating to anti-money laundering.

The Principal Officer has direct access to the appropriate law enforcement agencies to ensure the reporting of suspicious activities as is practicable. The Principal Officer at all times has the ability and authority to act independently in carrying out her responsibilities. The main areas of responsibility that the Principal Officer has areas follows:

- Trainings and awareness of all employees
- Reviewing and implementing guidance
- Receiving internal suspicious activity reports
- Taking reasonable steps to access any relevant KYC information on concerned parties
- Investigating and where appropriate, reporting of suspicious activity to the relevant regulatory body
- Responsible for the effective implementation of anti-money laundering policies and procedures in the business
- Periodic reporting to the Board of the Company, if required.

8. Employees Training & Policy Review

1. Employees Training

Periodic trainings and awareness of all employees shall be undertaken where, each employee has to undergo through (i) Mandatory Induction Programme and (ii) Annual Training Programme. Employees shall be sensitized on Anti Money Laundering subject and KYC process and related compliance.

2. Annual Review of the Policy

The Policy will be reviewed annually.

3. Amendment of the Policy

This Policy will be amended from time to time to incorporate inter-alia the changes as may be required pursuant to PMLA Act and any Circulars/ Notifications issued thereunder.

ANNEXURE 1

SUPPORTING DOCUMENTS FOR KYC

I. In case of Individuals, following documents shall be obtained:

(A) Individuals – Proof of Identity (POI) :- List of documents admissible as Proof of Identity

- i. Unique Identification Number (UID) (Aadhaar) Passport/Voter ID card/Driving license.
- ii. PAN card with photograph.
- iii. Identity card/document with applicant's Photo, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council, etc., to their Members, Credit cards/Debit cards with photographs issued by Banks.
- iv. Proprietor–In case of sole proprietors, sole proprietor must make the application in his individual name and capacity. The requirements remain the same as in case of Individual.
- v. Non-Resident Indian : Submission of passport copy with relevant details is mandatory. Also in case of NRI, overseas address is mandatory.
- vi. In case of Merchant Navy NRIs, Mariner's declaration or Certified copy of CDC (Continuous Discharge Certificate) is to be obtained.
- vii. Foreign nationals are not allowed to apply, except persons within the definition of "Resident" as per FEMA rules or Persons of Indian Origin (PIO). In such cases appropriate proof must be obtained.

(B) Individuals – Proof of Address (POA) List of documents admissible as Proof of Address:

- i. Passport/Voters Identity Card/Ration Card/Registered Lease or Sale Agreement of Residence/Driving License/Flat Maintenance bill/Insurance Copy.
- ii. Utility bills like Telephone Bill (only landline), Electricity bill or Gas bill – Not more than 3 months sold.
- iii. Bank Account Statement/Passbook – Not more than 3 months sold.
- iv. Self declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
- v. Proof of Address issued by any of the following: Bank Managers of Scheduled Commercial Banks/Scheduled Co-operative Bank/Multinational Foreign Banks/Gazetted Officer/Notary Public/Elected representatives to the Legislative Assembly/Parliament/Documents issued by any Govt. or Statutory Authority.
- vi. Identity card/document with address, issued by any of the following : Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities, and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.

- vii. For FII/sub- account, Power of Attorney given by FII/sub-account to the Custodians (which are duly notarized and/or a post led or consularised) that gives the registered address should be taken.
- viii. The proof of address in the name of the spouse may be accepted.

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

i. Corporate:

- Copy of the balance sheets for the last 2 financial years (to be submitted every year)
- Copy of latest share holding pattern including list of those holding control, either directly or indirectly, in the company in terms of SEBI take over Regulations, duly certified by the Company secretary/Whole time director/MD (to be submitted every year)
- Photograph, POI, POA, PAN and DIN numbers of whole-time directors/two directors in charge of day to day operations.
- Photograph, POI, POA, PAN of individual promoters holding control – either directly or indirectly
- Copies of the Memorandum and Articles of Association and certificate or incorporation.
- Copy of the Board Resolution for investment in securities.
- Authorized signatories list with specimen signatures.

ii. Partnership firm

- Copy of the balance sheets for the last 2 financial years (to be submitted every year).
- Certificate of registration (for registered partnership firm only).
- Copy of partnership deed.
- Authorised signatories list with specimen signatures.
- Photograph, POI, POA, PAN of Partners.

iii. Trust

- Copy of the balance sheets for the last 2 financial years (to be submitted every year).
- Certificate or registration (for registered trust only).
- Copy of Trust deed.
- List of trustees certified by managing trustees/CA Photograph, POI, POA, PAN of Trustees.

iv. HUF

- PAN of HUF/Karta
- Deed of declaration of HUF/List of coparceners.
- Bank pass-book/bank statement in the name of HUF/Karta Photograph, POI, POA, PAN of Karta.

v. Unincorporated association or a body of individuals

- Proof of Existence/Constitution document
- Resolution of the managing body & Power of Attorney granted to transact business on its behalf.
Authorized signatories list with specimen signatures.

vi. Banks/Institutional Investors

- Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years.
- Authorized signatories list with specimen signatures.

vii. Foreign Institutional Investors (FII)

- Copy of SEBI registration certificate
- Authorized signatories list with specimen signatures.

viii. Army/Government Bodies

- Self-certification on letterhead.
- Authorized signatories list with specimen signatures.

ix. Registered Society

- Copy of Registration Certificate under Societies Registration Act.
- List of Managing Committee members.
- Committee resolution for persons authorized to act as authorized signatories with specimen signatures. True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.

ANNEXURE 2

LIST OF PEOPLE AUTHORIZED TO ATTEST THE DOCUMENTS

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