

CENTRUM CAPITAL LIMITED

Policy for Know Your Customer (KYC) norms / Anti-Money Laundering (AML) Standards / Combating of Financing of Terrorism (CFT)

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Updated on	September 14,2020
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1. EXECUTIVE SUMMARY

Pursuant to the Prevention of Money Laundering Act, 2002 (PMLA) notifications issued there under and the Master Circular No. **SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2018/ 104** dated **July 04, 2018**, as amended from time to time, issued by SEBI, all Intermediaries registered with SEBI under Section 12 of the SEBI Act, 1992 are required to put in place a comprehensive policy framework covering Know Your Customer (KYC) Standards, Anti Money Laundering (AML) Standards / Combating the Financing of Terrorism (Policy).

Centrum Capital Limited being a SEBI Registered Merchant Banker is required to comply with all applicable anti-money laundering rules and regulations, and to implement programs and standards designed to prevent the misuse of its products, services and facilities for money laundering or other criminal activities including financing of terrorism.

This policy document also specifies Centrum Capital Limited's approach to customer identification procedures, customer profiling and monitoring of transactions on an ongoing basis. While this Policy document encompasses all the statutory requirements laid down by the relevant regulatory authorities, all norms and procedures prescribed by SEBI and other applicable regulators/ statutory bodies, from time to time, on AML and KYC will be applicable to the Company, in addition to this Policy.

In the event, any part of this Policy is at deviation from SEBI guidelines at any stage either due to omission or revision in SEBI guidelines from time to time, the SEBI guidelines would prevail. In the event, any guidance on SEBI regulations / guidelines is required; the same should always be referred to the Compliance team for its final views on the matter.

This Policy covers following activities:

- Customer Acceptance Policy
- Customer Identification Procedure
- KYC Risk categorization policy
- Standard procedure related to obtaining documents, scrutiny and storage

2. INTRODUCTION

Centrum Capital Limited ("CCL"), is a Public Limited Company, incorporated under the Companies Act, 1956. It is a Category I Merchant Banker registered with the Securities and Exchange Board of India. The activities of the CCL cover the entire gamut of services such as Lead Managers of Public Issues, Private Placements, Loan Syndication, Corporate Debt Restructuring, Mergers and Acquisitions, Corporate Advisory Services, Infrastructure Solutions, Private Equity Investments etc. The shares of CCL are listed on the BSE Limited and National Stock Exchange of India Limited.

3. OBJECTIVE

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, thereby avoiding prosecution, conviction and confiscation of the criminal funds. KYC policies and norms laid down by the Company can help in detecting preventing such activities.

The objective of the 'Know Your Customer' norms is to:

- a) Prevent the Company from being used, intentionally or unintentionally, by criminal

- elements for money laundering activities.
- b) Define KYC norms, AML standards and CFT measures of Centrum Capital Limited so as to identify the customers, knowing the nature of their businesses and being alert to transactions that are abnormal within the relationship with a view to prevent undesirable elements from Centrum Capital Limited misusing for money laundering activities.
 - c) Take necessary steps to ensure that the concerned employees are made aware of the KYC / AML / CFT procedures of Centrum Capital Limited.

4. SCOPE

The Policy document is applicable to the Merchant Banking division of the Company.

5. IMPORTANT DEFINITIONS

- 1. **AML:** Anti-Money Laundering
- 2. **Board of Directors:** The Board of Directors of Centrum Capital Limited
- 3. **CFT:** Combating Financing of Terrorism
- 4. **Customer/ Client:** Means any person/ entity who avails the Merchant Banking services of the Company
- 5. **Principal Officer:** means an officer nominated by the Company, responsible for furnishing information as per rule 8 of the Rules
- 6. **Rules:** means the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 and amendments thereto.

6. CUSTOMER ACCEPTANCE POLICY (CAP)

The Customer Acceptance Policy lays down explicit criteria for acceptance of customers. The Customer Acceptance Policy must ensure the following aspects of customer relationship with the Company:

- 1. No customer is boarded or entered into an agreement in anonymous or fictitious/ benami name(s)
- 2. Parameters of risk perception are clearly defined in terms of the nature of business activity, location of customer, mode of payments, volume of turnover, social and financial status etc. to enable categorization of customers into low, medium and high risk.
- 3. Necessary checks before boarding a customer or entering into an agreement/ engagement are undertaken, 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.
- 4. Company officials must be satisfied as regards KYC due diligence, as defined under this policy, of the customer.
- 5. No transaction or account based relationship is undertaken without following the KYC due diligence procedure.

7. CUSTOMER IDENTIFICATION PROCEDURE (CIP)

Customer identification means identifying the customer and verifying his/her/ its identity by using reliable, independent source documents, data or information. The Customer Identification Procedure is to be carried out at different stages while establishing a relationship; i.e., carrying out of a financial transaction or when the Company has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

Sufficient information necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of relationship would be obtained by the Company. An indicative list of the nature and type of documents/ information that may be relied upon for customer identification is given in 'ANNEXURE - I'.

For customers that are legal persons or entities:

1. Verify the legal status of the legal person/entity through proper and relevant documents.
2. Verify that any person purporting to act on behalf of the legal person/ entity is so authorized; identify and verify the identity of that person,
3. Understand the ownership and control structure of the customer.

The Company would ensure that information sought from the customer is relevant to the perceived risk, is not intrusive, and is in conformity with the guidelines issued in this regard. Any other information from the customer would be sought separately with his/ her consent.

8. RISK CATEGORISATION

In order to ensure efficient implementation of the AML framework, it is necessary to establish a risk-based process. It is recognised that a higher level of due diligence and monitoring would be specified for business areas prone to higher ML risks.

The nature of business of the Company is not similar to stock broking, depositories, lending and accordingly, the risk categorisation of customers is relatively less critical; having said that, the Company shall follow the following procedure:

1. The level of Money Laundering risks that Centrum Capital Limited is exposed to by a customer relationship depends on the following:
 - a. Type of the customer and nature of business
 - b. Type of product / service availed by the customer
 - c. Country where the customer is domiciled.
2. Based on the above criteria, the Customers will be classified into two Risk levels, namely High Risk and Low Risk as follows:

High Risk:

- Clients in high risk countries (where existence/ effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, 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, offshore financial centers, tax havens, countries where fraud is highly prevalent.

- Clients with dubious reputation as per public information available. For example: alleged to have been involved in fraud etc.

Low Risk: All clients that are not High Risk shall be treated as Low Risk clients.

3. Before opening any new account, Centrum Capital Limited will ensure that the name/s of the proposed client does not appear in the negative database, as specified above.
4. Centrum Capital Limited will periodically monitor the existing accounts to ensure that no account is held by or linked to any of the entities. Full details of accounts bearing resemblance with any of the individuals/entities in the list are required to be intimated to SEBI and/ or FIU-IND.
5. Centrum Capital Limited, if required, may enter into an arrangement with an appropriate agency to verify the risk category of prospective and existing Clients.

9. MONITORING OF TRANSACTIONS

The ongoing monitoring of the on-boarded customers is an essential element of effective KYC procedures. The extent of monitoring would however, depend on the risk sensitivity of the account. The Company would endeavour to set key indicators for customer details, taking note of the background of the customer and other risk factors.

1. Centrum Capital Limited recognizes that suspicion is often personal and subjective and may fall short of hard proof based on firm evidence. A “suspicious transaction” is defined as a transaction which, to a person acting in good faith –
 - give rise to a reasonable ground of suspicion that it may involve the proceeds of a crime; or
 - appears to be made in circumstances of unusual or unjustified complexity; or
 - appears to have no economic rationale or bonafide purpose.
2. An indicative list of Suspicious Activities is given in **ANNEXURE – II**.
3. The provisions of PMLA place an obligation on Centrum Capital Limited to furnish information in respect of suspicious transactions from the date of concluding the suspicious nature of such transactions.
4. There is a statutory obligation on all employees to report to the Principal Officer (PO), transactions where they have knowledge, suspicion, or reasonable grounds for suspicion of Money Laundering.
5. Any employee who handles or is responsible for handling transactions which may involve Money Laundering, shall make a report to the PO promptly, if he/ she knows or suspects or has reasonable grounds to suspect that a Client, or a person on whose behalf the Client is acting, is engaged in money laundering.

KYC for Politically Exposed Persons (PEPs):

Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state owned Corporation, important political officials, etc. It would be endeavoured to gather sufficient information on any person/customer of this category intending to establish a relationship with

the Company and check all the information available on such a person in the public domain. The decision to open an account for PEPs would be taken at the senior management level. Such accounts would also be subjected to enhanced monitoring on an on-going basis. The above norms would also be applicable to the accounts of the family members or close relatives of PEPs.

In the event of an existing customer or the beneficial owner of an existing account, subsequently becoming PEP, the Company would obtain requisite approvals from the senior management to continue the business relationship and subject such accounts to enhanced monitoring.

10. RETENTION OF RECORDS:

1. All the deal related records shall be preserved for a period as specified by SEBI under the SEBI (Merchant Bankers) Regulations, 1992, as amended.
2. The records pertaining to any suspicious transaction or cash transaction if any shall be preserved for 10 years as per the requirement of Prevention of Money Laundering Act, 2002, Prevention of Money-laundering (Maintenance of Records) Rules, 2005 read with the SEBI Master Circular CIR/ISD/AML/3/2010 dated December 31, 2010 and subsequent amendments thereto.

11. SUSPICION OF MONEY LAUNDERING / TERRORIST FINANCING:

a. Cash Transaction Reports (CTR):

Though, per se, this may not be applicable, the following cash transactions should be reported to FIU-IND:

- All individual cash transactions in an account during a calendar month, where either debits or credit summation, computed separately, exceeding Rupees ten lakhs or its equivalent in foreign currency, during the month.
- All series of cash transactions integrally connected to each other which have been valued below Rupees 10 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

However, while filing CTR, details of individual cash transactions below rupees fifty thousand may not be indicated.

The Principal Officer should ensure to submit CTR for every month to FIU-IND within the prescribed time schedule.

b. Suspicious Transactions:

As defined in the PMLA Rules, a "suspicious transaction" means a transaction referred to in clause (h) of the PMLA Rules, including an attempted 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 proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- appears to be made in circumstances of unusual or unjustified complexity; or

- appears to have no economic rationale or bonafide purpose; or
- gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

Some broad categories of reason for suspicion and examples of suspicious transactions are indicated in '**ANNEXURE – II**'.

Reporting of Suspicious Transactions (STRs):

In terms of the PMLA rules, the Company would be required to report information relating to suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at their online portal.

The Suspicious Transaction Report (STR) would be furnished 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 would record his reasons for treating any transaction or a series of transactions as suspicious. It would be ensured that there is no undue delay in arriving at such a conclusion once a suspicious transaction report is received. Utmost confidentiality would be maintained in filing of CTR and STR with FIU-IND.

12. CUSTOMER EDUCATION:

The dealing staff would need to be specially trained to handle such situations while dealing with customers. However, since at present, the Company only has corporate customers, such customer education could be done on need basis.

13. APPOINTMENT OF PRINCIPAL OFFICER:

The Board of Directors of the Company would appoint a senior level officer as Principal Officer. The Principal Officer shall be responsible for overseeing and ensuring overall compliance with regulatory guidelines on KYC/AML/CFT issued from time to time and obligations under the Prevention of Money Laundering Act, 2002, rules and regulations made thereunder, as amended from time to time.

14. NOMINATION OF DESIGNATED DIRECTOR:

To ensure compliance with the obligations under the Prevention of Money Laundering (Amendment) Act, 2012 a Managing Director or a Whole-Time Director on the Boards shall be nominated as "Designated Director" and the name, designation and address of the Designated Director to be communicated to the Director, FIU-IND.

ANNEXURE - I

Serial Number	Information to be obtained	Documents acceptable as evidence for KYC verification and other documents. (It is not necessary to obtain all the documents listed below)
1	Identity and Address proof for Individual: <ul style="list-style-type: none"> • Legal name or any other name used • Address (Permanent or Current) 	<p>Customer at their option shall submit a copy of one of the following documents as proof of Identity and proof of Address :</p> <ul style="list-style-type: none"> - Unique Identification Number (UID) (Aadhaar) (if voluntarily provided by the customer) - Valid Passport - Permanent Account Number (“PAN”) card (accepted only as proof of Identity) - Voter’s Identity card issued by Election commission of India - Valid Driving License - Identity card/ document with applicant’s Photo, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members; and Credit cards/Debit cards issued by Banks <p>(The same list of documents, except the PAN card, to be considered as proof of Identity as well as proof of Address)</p>
2	For Company: <ul style="list-style-type: none"> • Type of company • Constitution document 	<p>A copy of each of the following documents shall be obtained:</p> <ul style="list-style-type: none"> - PAN of the Company - POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations. - Copies of the Memorandum and Articles of Association and certificate of incorporation
3	For Trust or Foundation: <ul style="list-style-type: none"> • Names of trustees, settlers, beneficiaries and signatories 	<p>A copy of each of the following documents shall be obtained:</p> <ul style="list-style-type: none"> - . - Unique Identification Number of the trustees (if voluntarily provided) - PAN card of Trustees - Trust Deed - Registration Certificate (if any) - List of trustees
4	Accounts of partnership firms <ul style="list-style-type: none"> • Legal name • Names of all partners and 	<p>A copy of each of the following documents shall be obtained:</p> <ul style="list-style-type: none"> - Unique Identification Number of the partners (if voluntarily provided)

	<p>their addresses</p> <ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> - PAN card of partners - Partnership deed - Registration Certificate if any
5	<p>For Proprietary Concern:</p> <ul style="list-style-type: none"> • Legal name or any other name used • Date of Birth • Nationality • Occupation/Public position held • Address • Activity of the Proprietary Concern 	<p>A copy of each of the following documents shall be obtained:</p> <ul style="list-style-type: none"> - The complete KYC for the Individual proprietor (as per guidelines for Individuals above) should be obtained - Proof of the name, address and activity of the concern, like registration certificate (in the case of a registered concern), any certificate/licence issued by the Municipal authorities under Shop & Establishment Act, sales and income tax returns, CST / VAT certificate, certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities, Licence issued by the Registering authority like Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, etc. <p>(In cases where the Company is satisfied that it is not possible to furnish two such documents, they would have the discretion to accept only one of the above mentioned documents as activity proof).</p>

Note:

For undertaking Valuation mandate, the following documents would be accepted to evidence the KYC verification:

1. MOA/AOA
2. Certificate of incorporation
3. If the entity is incorporated in a country outside India, equivalent charter documents would be accepted.

Some broad categories of reason for suspicion and examples of suspicious transactions are indicated as under:

(i) Identity of Customer:

- False identification documents
- Identification documents which could not be verified within reasonable time
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities

(ii) Suspicious Background:

- Suspicious background or links with known criminals

(iii) Nature of Transactions:

- Unusual or unjustified complexity
- No economic rationale or bonafide purpose
- Appears to be case of insider trading
- Investment proceeds transferred to a third party
- Transactions reflect likely market manipulations
- Suspicious off market transactions

Last Updated on September 14, 2020