

MASTER TRUST LIMITED
KYC POLICY

(As per RBI Guideline and RBI Master Directions as amended from time to time)

The Company shall follow KYC Policy while providing its services and further for monitoring transactions of a suspicious nature for the purpose of reporting it to appropriate authority.

Following are terms of reference in KYC POLICY:

Information collected from the customer for the purpose of opening of account shall be kept confidential and the Company shall not divulge any details thereof for cross selling or any other purposes. Information sought from the customer shall be relevant to the perceived risk, shall not be intrusive, and shall be in conformity with the guidelines issued by RBI from time to time. Any other information from the customer shall be sought separately with his/ her/ its consent and after providing services.

KYC procedures also enable the Company to know/understand its customers and their financial dealings better, which in turn help the Company to manage its risks prudently. The Company has framed its KYC policy incorporating the following four key elements:

- (i) Customer Acceptance Criteria;
- (ii) Customer Identification Procedures;
- (iii) Monitoring of Transactions/ On-going Due Diligence; and
- (iv) Risk Management.

Money Laundering and Terrorist Financing Risk Assessment:

- a) Company shall carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc. The assessment process should consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. While preparing the internal risk assessment, company shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with company from time to time.
- b) The risk assessment by the company shall be properly documented and be proportionate to the nature, activities/structure, etc. of the company. Further, the



periodicity of risk assessment exercise shall be determined by the Board of the company, in alignment with the outcome of the risk assessment exercise.

THE CRITERIA FOR ACCEPTANCE OF CUSTOMERS are as follows:

- I. No account shall be opened in anonymous or fictitious/ benami name(s);
- II. No transaction or account based relationship will be undertaken without following the Customer Due Diligence (CDD) procedure.
 - The mandatory information to be sought for KYC purpose while opening an account and during the periodic updates as specified should be obtained.
 - 'Optional'/additional information's are obtained with the explicit consent of the customer after the account is opened.
- iii. Circumstances, in which a customer is permitted to act on behalf of another person/entity, should be clearly spelt out in conformity with the established law as there could be occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in the fiduciary capacity;
- iv. Parameters of risk assessment in terms of the customers' identity, social/ financial status, nature of business activity, information about the clients' business and their locations, etc. have been defined to enable categorization of customers into low, medium and high risk.

CUSTOMER IDENTIFICATION PROCEDURE (CIP):

Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. The Company shall obtain 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 business relationship.

Such risk based approach is considered necessary to avoid disproportionate cost to Company and a burdensome regime for the customers. Besides risk perception, the nature of information/documents required would also depend on the type of customer (individual, corporate etc).

Customer Identification Procedure to be carried out at different stages as under:

- Commencement of an account-based relationship with the customer;

- When the Company has a doubt about the authenticity or adequacy of the customer identification data obtained by the Company. Customer identification means identifying the customer and verifying his/ her/ its identity by using reliable, independent source documents, data or information; and
- Carrying out a financial transaction.

Company shall undertake identification of customers in the following cases:

- a) Commencement of an account-based relationship with customer.
- b) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- c) Company shall ensure that introduction is not to be sought while opening accounts.

For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, company may rely on customer due diligence done by a third party, subject to the following conditions:

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

Risk Management:

For Risk Management, the Company will have a risk-based approach which includes the following:

- i. Customers shall be categorized as low, medium and high-risk category, based on the assessment and risk perception of the Company; etc.
- ii. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in;

- iii. The customers will be monitored on regular basis with built in mechanism for tracking irregular behavior for risk management and suitable timely corrective action;

TERMS OF RISK MANAGEMENT:

- a) Through this policy, the Company is ensuring the formal documentation of its KYC programme. The management will establish appropriate procedures to ensure its effective implementation.
- b) The Company's internal audit and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures. As a general rule, the compliance function would provide an independent evaluation of the Company's own policies.
- c) Risk categorization shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the customer's business and their location, geographical risk covering customers as well as transactions, type of products/ services offered, delivery channel used for delivery of products/services, types of transaction undertaken - cash, cheque/monetary instruments, wire transfers etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored.

Review of KYC for the Existing Accounts:

- a) The Company shall also apply this policy to the existing customers on the basis of materiality and risk. Moreover, transactions in existing accounts shall be continuously monitored.
- b) The Company shall consider applying monetary limits to such accounts based on the nature and type of the account. All the existing accounts of companies, firms and other institutions are subjected to minimum KYC standards which would establish the identity of the natural/legal person and those of the 'beneficial owners' as per the guidelines issued by the authority from time to time.

Record Management:

In order to maintain, preserve and report the customer account information, with reference to provisions of PML Act and Rules following has to do:

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

- b) Preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least five years after the business relationship is ended;
- c) Make available swiftly, the identification records and transaction data to the competent authorities upon request;
- d) Introduce a system of maintaining proper record of transactions prescribed.

Under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005);

- i. Maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:
 - The nature of the transactions;
 - The amount of the transaction and the currency in which it was Denominated;
 - The date on which the transaction was conducted; and
 - The parties to the transaction.
- ii. Evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities;
- iii. Maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format.

Appointment of designated director:

Company shall appoint designated director to ensure overall compliance with obligation imposed under PML act and rules

Appointment of Principle officer:

Principle officer shall be responsible for ensuring compliance, monitoring transaction and sharing and reporting information as required under law.

The Company shall maintain confidentiality of information.

