

HI-KLASS TRADING & INVESTMENT LTD.

Regd. Off. :24, Veer Nariman Road, Rehman Building, 2nd Floor, Office No.15, Fort, Mumbai – 400 001.

Tel.: 2287 4084, 2287 4085 * Email : info@hiklass.co.in

CIN-L51900MH1992PLCO66262

“KNOW YOUR CUSTOMER” (KYC) POLICY



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HI-KLASS TRADING AND INVESTMENT LIMITED (HKTIL)

“Know Your Customer” (KYC) Policy

(I) Preamble:

Reserve Bank of India has been issuing guidelines in regard to Know Your Customer (KYC) standards to be followed by banks and NBFC and measures to be taken in regard to Anti Money Laundering (AML)/Combating Financing of Terrorism (CFT).

NBFCs are required to put in place a comprehensive policy framework, duly approved by Board of Directors or competent authority authorized by Board of Directors, in this regard. This policy document has been prepared in line with the RBI guidelines.

Accordingly, the following KYC Policy has been adopted by the Board suitably, superseding the existing KYC & PMLA Policy of the Company, as amended from time to time.

(II) Objectives Scope and Application of the Policy:

The primary objective is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities.

- To lay down explicit criteria for acceptance of customers
- To establish procedures to verify the bona-fide identification of individuals/non individuals for opening of account.
- To establish processes and procedures to monitor high value transactions and/or transactions of suspicious nature in accounts.
- To develop measures for conducting due diligence in respect of customers and reporting of such transactions.
- In case of any scenarios not explicitly covered under RE's (Registered Entity's) policy, the provisions as mentioned under the RBI guidelines shall be assumed.

Accordingly, NBFCs have been advised to frame their KYC policies, incorporating the following four key elements:

1. Customer acceptance policy,
2. Risk Management policy,
3. Customer Identification process and
4. Monitoring of transactions

(III) Definitions:

For the purpose of KYC policy, a 'Customer' means a person defined under KYC policy of RBI and any amendment from time to time by RBI which are at present as under: -

- A person or entity that maintains an account and/or has a business relationship with RE's;



- One on whose behalf the account is maintained (i.e., the natural beneficial owner)
- Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted under the law, and
- Any other person or entity connected with a financial transaction which can pose significant reputation or other risks to RE's,

(IV) **Customer Acceptance Policy (CAP), Risk Management, Customer Identification Procedure (CIP), Monitoring of Transactions:**

1. **Customer Acceptance Policy**

- Customers who are acceptable to HKTIL as per the Risk categorization should fulfill all criteria related to submission of Officially Valid Documents (OVD) as defined by RBI from time to time and more specifically stated under the Customer Identification Procedure in the table set out separately.
- HKTIL shall refrain from opening an account, where HKTIL is unable to apply appropriate Customer Due Diligence (CDD) measures.
- In the event, the customer is permitted to act on behalf of another person/entity, HKTIL shall verify that the customer has the necessary authority to do so by scrutinizing the authorizing document/s.
- An account shall not be opened in an anonymous or fictitious/ benami name(s) and HKTIL will also use RBI caution advices in determining the customer acceptance framework.
- 'Optional'/additional information, shall be obtained with the explicit consent of the customer after the account is opened.
- CDD Procedure shall be followed for all the joint account holders, while opening a joint account.
- Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- Where an equivalent e-document is obtained from the customer, HKTIL shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
- Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.

2. **Risk Management**

HKTIL customers will be categorized based on perceived risk, into three categories - A, B & C. None of the entities will be exempted from HKTIL's KYC procedure, irrespective of the status and relationship with Company or promoter. The above requirement may be moderated according to the risk perception. The risk category of the customers shall be categorized into three levels:

- Level A – High Risk
- Level B – Medium Risk
- Level C – Low Risk

The following customers shall be categorized as **Level C** risk customer



- ✓ Relationships with Significant and well-established entities.
- ✓ Relationships with regulated Financial Institutions in, or having their Head Office in, equivalent jurisdictions or countries that adopted equivalent standards (where reliance is placed on the fact that the Head Office is in an FATF or equivalent country, its policies and procedures must be binding on the country branch or subsidiary concerned).
- ✓ Relationships with Government departments (Ministerial or Non-ministerial) or their agencies, (including their statutory corporations and their private companies), except those in/from high-risk countries (i.e., FATF non-compliant country)
- ✓ Relationships with registered public companies and their subsidiaries.

The following customers shall be categorized as **Level B** risk customer

- ✓ All relationships not categorized as Level C and Level A

The following customers shall be categorized as **Level A** risk customer based on the limited due diligence carried out at the time of sanction and as part of legal due diligence by HKTIL before execution of loan agreement and based on the declaration submitted by company as part of KYC documents.

- ✓ Government departments or their agencies, statutory corporations and private companies in/from high-risk countries (i.e., FATF non-compliant country)
- ✓ Relationships involving offshore trust structure, relationships involving bearer shares.
- ✓ Relationships, whose businesses are vulnerable to Money Laundering (ML) risks such as Gambling, defense and money service bureau and dealers in high value commodities (e.g.: traders in precious metals, jewelers and antique dealers).

3. Customer Identification Procedure

- HKTIL shall ensure that customer identification process is undertaken, whenever an account based relationship is being established.
- While undertaking customer identification, HKTIL shall ensure that the decision-making functions of determining compliance with KYC shall not be outsourced.
- HKTIL shall be adequately satisfied with the information furnished by each new customer with respect to identity of the customer and the purpose of the intended nature of relationship with HKTIL. The satisfaction of HKTIL with respect to the information/documents furnished by the customers should be such that if circumstances necessitate, HKTIL shall ensure that it is in a position to satisfy the competent authorities that CDD was duly observed by HKTIL, based on the risk profile/categorization of the customer.
- As stated in the Customer Acceptance Policy, HKTIL shall ensure that its customer is not a fictitious person by verifying the identity of the customer through documentation and shall also carry out necessary checks, so as to confirm that the identity of the customer on the basis of the documents obtained does not match with any person with known criminal background or with banned entities, such as individual terrorists or terrorist organizations.
- One or more of the following valid self-attested documents may be called for from the customers as OVD, containing details of proof of their identity and address:



Type of Customer	Officially Valid Documents
<u>In case of Individuals</u>	<p><u>Identity proof: (Copy of one of the following)</u></p> <ul style="list-style-type: none"> • Passport • Driving License • Income Tax PAN Card • Voter's Identity Card • Aadhar Card <p><u>Residence proof: (Copy of one of the following)</u></p> <ul style="list-style-type: none"> • Utility Bill which is not more than two months old of any service provider (Telephone / Post-paid mobile / Electricity bill) • Bank Account or post office savings bank account statement • Passport • Aadhar Card • Letter/ Certificate issued by current Employer for address proof (in case of for Non-Resident Indian); duly signed by Director or Authorized signatory. • Any other documents issued by Government showing Address.
<u>In case of Non-Individual (As applicable)</u>	<p><u>Identity & Residence proof (Copies of the following)</u></p> <ul style="list-style-type: none"> • Income Tax PAN Card • Incorporation Certificate & Memorandum & Articles of Association (Registration Certificate & Deed, in case of Partnership firm/Trust) • Resolution of the Board of Directors/Authority letter by CMD/MD/CEO/WTD/Director for Authorized person/s (In case of Companies) • GST registration / Shops & Establishment Certificate, as applicable • List of Directors/Partners/Trustees along with their OVDs as above. • Latest shareholding pattern, along with the list of major shareholders having more than 25% of holding, in case of company. • Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill) • Any other documents issued by Government showing Address.

- The above documents are in any other language, and then it must be translated into English along with a certificate from translator / notary public.
- The e-KYC service of Unique Identification Authority of India (UIDAI) shall be accepted as a valid process for KYC verification under the PML Rules.
- In addition to verification through one or more of the above said documents, the company may also call for suitable introduction by a person known to the company/group companies.



▪ Identification of Beneficial Owner

For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and all reasonable steps to verify his/her identity shall be undertaken keeping in view the following:

- a) Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.
- b) In cases of trust/nominee or fiduciary accounts, whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is to be determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

4. Monitoring of Transactions:

Monitoring of transactions will be conducting taking into consideration the risk profile of the account.

HKTIL shall make endeavors to understand the normal and reasonable activity of the customer so that the transactions that fall outside the regular/pattern of activity can be identified, Special attention will be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose.

Background of the customer, country of origin, sources of funds, the type of transactions involved and other risk factors shall determine the extent of monitoring. Higher risk accounts shall be subject to intensify monitoring. HKTIL shall carry out the periodic review of risk categorization of transactions/customers and the need for applying enhanced due diligence measures at a periodicity of not less than once in six months.

HKTIL shall explore the possibility of validating the new accounts opening application with various watch lists available in public domain, including RBI watch list. After due diligence, any transactions or suspicious nature will be duly reported by principal officer to Director, Financial Intelligence Unit-India (FIU_IND).

To ensure monitoring and reporting of all transactions and sharing of information as required under the law for KYC, Board may nominate any Director or authorized MD or any other officer(s) duly authorized by MD to be designated as HKTIL's Principal Officer with respect to KYC/ AML/ CFT.

The company shall promptly report such high value cash transactions or transactions of a suspicious nature to the appropriate regulatory and investigating authorities, as per the provisions of the PMLA and the Rules.

HKTIL shall exercise caution with respect to the transactions with persons (including legal persons and other financial institutions) from the countries which have been identified by Financial Action Task Force (FATF) as high risk and non-cooperative jurisdictions with respect to compliance with the FATF Recommendations, 2012.



▪ **On-going Due Diligence**

HKTIL shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and the source of funds. The extent of monitoring shall be aligned with the risk category of the customer.

▪ **Periodic Updation**

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

▪ **Enhanced Due Diligence**

Accounts of Politically Exposed Persons (PEPs):

Politically Exposed Persons (PEPs) are individuals, who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.

Generally, HKTIL would not open accounts of PEP. Decision to deal with such persons as a customer shall be taken up at a senior management level and shall be subjected to enhanced monitoring.

▪ **Client accounts opened by professional intermediaries:**

Owing to the fact that accounts may be (i) opened by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds or (ii) managed by lawyers/chartered accountants or stock brokers for funds held 'on deposit' or 'in escrow' for a range of clients, HKTIL shall ensure identification of all beneficial owners in respect of such accounts. Further, HKTIL shall also ensure that the CDD conducted by the intermediaries is in line with KYC requirements mandated by RBI.

HKTIL shall ensure that no professional intermediary, who cannot reveal the identity of a customer should be allowed to open such an account with it.

▪ **Simplified KYC norms for Foreign Portfolio Investors (FPIs)**

Accounts of FPIs which are eligible/ registered as per SEBI guidelines, for the purpose of investment under Portfolio Investment Scheme (PIS), shall be opened by accepting KYC documents as prescribed by RBI, subject to Income Tax (FATCA/CRS) Rules.

▪ **Information obtained from Customers**

All the information collected from the customers by HKTIL shall be kept confidential and all such information shall be treated as per the agreement/terms and conditions signed by the customers. Additionally, the information sought from each customer should be relevant to the risk perceived in respect of that particular customer, should not be intrusive and should be in line with the guidelines issued by the RBI in that behalf.

▪ **Record Management**



HKTIL shall take steps in the direction of maintenance and preservation of the records pertaining to KYC and transactions for the time duration of 5 years for KYC-related and transaction-related documents as prescribed by RBI.

▪ **Other Requirements**

All other requirements under FATCA/CRS/PML/FIU-Ind relating to appointment of designated officer/director, principal officer and reporting requirements relating to filling of Suspicious Transaction Report (STR), Cash Transaction Report (CTR), counterfeit currency report (CCR) and other applicable reports filling under FATCA will be complied with in terms of the direction of the RBI or the other authorities to the extent applicable to HKTIL.

5. Updation in KYC Policy of Company

MD/CEO/Directors of HKTIL will be authorized to amend/modify the KYC/ AML/ CFT Policy or such other related guidance notes of Company, to be in line with RBI or such other statutory authority's requirements/updates/amendments time to time.

