

EDELWEISS ALTERNATIVE ASSET ADVISORS LIMITED

ANTI MONEY LAUNDERING POLICY FRAMEWORK

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Edelweiss Alternative Asset Advisors Limited - Anti Money Laundering Policy Framework

1 Introduction

The Prevention of Money Laundering Act, 2002 (hereinafter referred to as “the Act”) has imposed certain responsibilities on the various financial institutions and intermediaries with regard to preventing terrorist financing and money laundering. The Act has come into effect from 1st July 2005.

SEBI has also issued AML guidelines and circulars, for prevention of money laundering by SEBI Registered Intermediaries.

SEBI has also issued Circular No.CIR/MIRSD/ 66 /2016 dated July 21, 2016 on Operationalisation of Central KYC Records Registry (CKYCR). The said Circular inter alia provides that every reporting entity (SEBI Registered Intermediary) shall capture the KYC information for sharing with the CKYCR in the prescribed manner as per the KYC template for individuals finalised by CERSAI. Accordingly, the KYC template finalised by CERSAI shall be used by the Company as a part of Account Opening Form for Individuals.

2 Policy Statement

EAAAL acts as the Investment Manager (“**IM**”) for various Alternative Investment Funds and /or their schemes (hereinafter singly referred to as the “**AIF**” or “**Fund**” and collectively as the “**AIFs**” or “**Funds**”). These AIFs are governed by the SEBI AIF Regulations as well as their respective Fund Documents (i.e. Private Placement Memorandum, Indenture of Trust, Contribution Agreement and Investment Management Agreement). These AIFs raise funds from the investors (hereinafter referred to as the “**Investor(s)**” or “**Clients**” or “**Client(s)**”) in various segments including institutions, corporates, business houses, family offices and high networth individuals (“**HNIs**”). Being the SEBI Registered Intermediaries, these Funds are subjected to Anti Money Laundering laws.

EAAAL being an Investment Manager of the Funds is fully committed to combat any effort of laundering money earned through drug trafficking, terrorism (terrorist financing) and any other means of organized and serious crimes by any individual or entity. Towards this, EAAAL has put in place all such processes and procedures of internal control aimed at preventing and impeding any attempt of money laundering and terrorist financing using the services offered by EAAAL. The Company may appoint SEBI registered Registrar & Transfer Agent, Custodian and Agent for providing Fund & Accounting Services (the agents) for the schemes of various Funds. This Policy shall mutatis mutandis apply to the Agents and the Company shall provide copy of the Policy and amendments there to from time to time to the agents for required compliances under SEBI directives.

3 The Policy Framework

This Policy framework (document) contains the broad framework that needs to be adhered to by the Company, while preparing its AML polices, apart from the specific requirement prescribed by SEBI from time to time.

The policy framework inter alia focuses on:

- 1) Appointment of Principal Officer and Designated Director

- 2) Client Identification and Acceptance Policy
- 3) Risk catherization of the Clients
- 4) Transaction monitoring and Reporting to FIU-IND
- 5) Procedure for freezing of funds, financial assets or economic resources or related services
- 6) Record maintenance
- 7) Hiring of Employees and Staff training

This AML Policy has been approved by the Board of Directors of the Company in its meeting held on _____.

4 Definitions:

(a) "Beneficial owner" means an individual who ultimately owns or controls a contributor / investor of an AIF or the person on whose behalf a transaction is being conducted and includes a person who exercises ultimate effective control over a juridical person.

(b) "Clients of Special Category" mean the persons belonging to the following categories:

- Non Resident clients
- Trusts, Charities, NGOs and organizations receiving donations
- Politically Exposed Persons (PEP)
- Companies offering foreign exchange offerings
- Clients in high risk countries where existence / effectiveness of action against money laundering or terrorist financing 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, offshore financial centers, tax havens, countries where fraud is highly prevalent.
- Non face to face clients
- Clients with dubious reputation as per public information available etc.

Note: High Net Worth Individuals (HNI) have been excluded from the above definition since the Company acts as an Investment Manager to Alternative Investment Funds registered with the Securities and Exchange Board of India, which raises funds only from HNIs.

(c) "Designated Director" means a person designated by the Company to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes —

- i. The Managing Director or a whole-time Director or a Director duly authorized by the Board of Directors of EAAAL in any of the categories above.

Explanation – For the purpose of this clause, the terms “Managing Director” and “Whole-time Director” shall have the meaning assigned to them in the Companies Act, 2013 as amended from time to time;

- (d) “Officially valid document” means the passport, the driving license, the Permanent Account Number (PAN) Card, the Voter’s Identity Card issued by Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government, the letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number or any other document as notified by the Central Government in consultation with the Regulator:

Provided that where simplified measures are applied for verifying the identity of the clients the following documents shall be deemed to be officially valid documents:—

- i. Identity card with applicant's Photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions;
- ii. Letter issued by a gazetted officer, with a duly attested photograph of the person.

- (e) "Person carrying on designated business or profession" means,—
- i. a person carrying on activities for playing games of chance for cash or kind, and includes such activities associated with casino;
 - ii. Inspector General of Registration appointed under section 3 of the Registration Act, 1908 as may be notified by the Central Government;
 - iii. real estate agent, as may be notified by the Central Government;
 - iv. dealer in precious metals, precious stones and other high value goods, as may be notified by the Central Government;
 - v. person engaged in safekeeping and administration of cash and liquid securities on behalf of other persons, as may be notified by the Central Government; or
 - vi. person carrying on such other activities as the Central Government may, by notification, so designate, from time to time

(f) "Politically Exposed Person" means –

"Politically Exposed Persons" (PEPs) **are individuals who have been entrusted with prominent public functions by a foreign country**, including the heads of States or Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials;".

(g) "Principal Officer" means an officer designated by EAAAL.

(h) "Reporting entity" means a banking company, financial institution, intermediary or a person carrying on a designated business or profession

- (i) "Suspicious transaction" means a transaction, whether or not made in cash which, to a person acting in good faith-
- i. 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
 - ii. Appears to be made in circumstances of unusual or unjustified complexity; or
 - iii. Appears to have no economic rationale or bona-fide purpose; or
 - iv. Gives 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

- (j) "Transaction" means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes –
- i. Opening of an account;
 - ii. Deposits, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
 - iii. Use of a safety deposit box or any other form of safe deposit;
 - iv. Entering into any fiduciary relationship;

- v. Any payment made or received in whole or in part of any contractual or other legal obligation;
- vi. Any payment made in respect of playing games of chance for cash or kind including such activities associated with casino; and
- vii. Establishing or creating a legal person or legal arrangement.'

5 Appointment of the Designated Director and the Principal Officer

The following steps shall be taken for appointment of the Designated Director and the Principal Officer:

- (a) Managing Director or a Whole-time Director or a Director of the Company shall be appointed as the Designated Director
- (b) A senior employee of the Company shall be appointed as the Principal Officer to liaison with FIU-IND.
- (c) Names, designation and addresses (including email addresses) of "Designated Director" and "Principal Officer" including any changes therein shall also be intimated to the Office of the Director-FIU.

The Principal Officer shall be responsible for the following:

- (a) Communicating the Policy on Prevention of Money Laundering to the employees of EAAAL and the Funds;
- (b) Receiving reports for any suspicious dealings noticed by them;
- (c) Clarifying any queries from employees on AML matters;
- (d) Ensuring that the Edelweiss Representative (like employees, authorized person, distributor, agent, sub-broker, etc.) dealing with the clients / prospective clients are aware of the KYC guidelines and are advised to follow the same strictly;
- (e) To record reason for arriving at a decision that the transaction is a suspicious transaction;
- (f) The Principal Officer and other appropriate compliance, risk management and related officials shall have timely access to client identification data and CDD information, transaction records and other relevant information from the system;
- (g) Principal Officer shall have access for any data and is vested with highest authority to audit the transaction and to get the data from relevant authorities in entity and all shall comply with the same;
- (h) Submit Suspicious Transactions report, Cash transactions report, etc. to FIU-IND;

6 Client Identification and Acceptance Procedures

The client identification and acceptance procedures shall be as follows:

- (a) It shall be mandatory to obtain and verify any one certified copy of an "officially valid document" containing the details of his identity and address, one recent photograph and such other documents

including in respect of the nature of business and financial status of the client as may be required by the reporting entity.

- (b) Each original document shall be seen prior to acceptance of its copy by the authorized person and the same shall be confirmed by the respective officials by inscribing “Verified with originals” along with his/her name and signature on the copy of the document. All documents/supporting submitted by the Client are “In person verified” by the authorized person as per entity policy under his/her Name, Employee Code & Sign.
- (c) Alternatively, the Company may rely on the information /document obtained from Central KYC Registry or KYC Registration Agency or **‘in person verification’** conducted by any other intermediaries, in accordance with the prevailing SEBI Regulations.
- (d) Determine whether a Client is acting on behalf of a beneficial owner and identify the beneficial owner as per the procedure laid down in Annexure I and take all steps to verify the identity of the beneficial owner. Additional documents as laid down in Annexure II shall be obtained from Clients other than individual Clients.
- (e) Not to allow the opening of or keep any anonymous account or account in fictitious names or account on behalf of other persons whose identity has not been disclosed or cannot be verified.
- (f) To take reasonable measures to verify the sources of funds of the Clients in case of clients who are politically exposed person.
- (g) To put in place appropriate risk management systems to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPs.
- (h) To obtain senior management approval for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, senior management approval shall be obtained to continue with the business relationship.
- (i) The names of the Clients to be verified with the negative list as specified by the respective regulator, to check if there is any match with designated individuals/ entities.
- (j) The Company shall ensure that it continuously scan all existing accounts and new Client accounts against the list, to ensure that no account is held by or linked to any of the designated individuals/entities included in the list.
- (k) In case, the match of any of the Clients with the particulars of designated individuals/ entities is beyond doubt, the Company shall follow the procedure as specified by the respective regulator for reporting and freezing of such accounts.
- (l) Clients to be identified and categorized as Clients of Special Category (CSC)/high risk/medium risk or low risk client as per the requirement of respective regulator. Risk categorization can be done basis various

parameters like Client's occupation, income level, residential status, nature and amount of transaction, etc.

- (m) Enhanced Due diligence (EDD) shall be done in case of high risk clients or CSC. An internal mechanism will be evolved having regard to guidelines issued by respective regulator, for conducting EDD.
- (n) When there are suspicions of money laundering or financing of the activities relating to terrorism or where there are doubts about the adequacy or veracity of previously obtained client identification data, the reporting entity shall review the due diligence measures including verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship, as the case may be.
- (o) The Company shall apply client due diligence measures also to existing clients on the basis of materiality and risk and conduct due diligence on such existing relationships at appropriate times or as may be specified by the regulator, taking into account whether and when client due diligence measures have previously been undertaken and the adequacy of data obtained.
- (p) In the event of any onboarding of any non residents investor (including NRIs and PIOs), the Company as the investment manager shall comply with the criteria of eligible investors and any conditionality thereto.

7 Risk categorization

Depending on their background, type of business, relationships and transactions, different Clients may fall in different risk categories i.e. high, medium or low risks. Depending on their classification, the Company may apply additional due diligence measures on basis of risk sensitivity involved. In line with the risk-based approach, the type and amount of identification information and documents that the Company shall obtain necessarily depend on the risk category of a particular client(s). An initial risk assessment shall be conducted at the time of onboarding of the client and depending of the assessment, a risk category shall be allocated to the Client. The indicative criteria of risk assessment and categorization have been provided in the Annexure IV. However, each of the case shall be individually assessed and category will be allocated.

Clients falling in lower risk category will be onboarded subject to completion of the regular client due diligence process. Clients falling within high or medium risk categories, may be onboarded with additional client due diligence ("**CDD**") measures and internal approvals. Upon the successful completion the additional CDD measures, the Client can be moved to a lower risk category. The Company, at its sole discretion may also refuse to onboard any client.

All existing Clients shall be subject to an ongoing review of their risk profile. In the event of any adverse findings, the risk profile of such clients will be assessed and if required, the risk category will be updated.

In the event of any change in risk profile, the Company may seek additional information /documents and upon the receipt of the same, the Client can be moved to a lower risk category.

8 Transaction Monitoring and Reporting to FIU-IND

The Company shall exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and where necessary, the source of funds.

The Company shall not permit any cash transactions with respect to any of the Funds for which the Company acts as Investment Manager. The Funds shall transact with the Bank account belonging to the Contributor and not with any other third party on behalf of the Contributor. The Company shall evolve an internal mechanism having regard to guidelines issued by SEBI, for detecting the suspicious transactions.

The Company shall file reports for below transaction with FIU-IND if applicable:

- (a) **Suspicious Transaction Report (STR)** – Any reportable Suspicious Transactions that are identified shall be reported to the FIU-IND within 7 working days on being satisfied that the transaction is suspicious in the prescribed format. List of suspicious transactions that needs to be monitored shall be based on the guidelines as specified by the respective regulator. Illustrative list of suspicious transactions as specified by various regulators are mentioned in Annexure III.

- (b) All cross border wire transfers of the value or more than five lakh rupees or its equivalent in foreign currency where either the origin or destination is in India shall be reported by 15th of succeeding month.

FIU-IND has developed a utility for submission of transaction report online. The required information is to be furnished by the entity directly to the FIU-IND online on <https://finnet.gov.in>, through the Principal Officer designated by the entity under the Prevention of Money Laundering Act, 2002. The submitted report to be furnished at the following address by the Principal Officer of the entity:

Director, FIU-IND
Financial Intelligence Unit – India,
6th floor, Hotel Samrat
Chanakyapuri
New Delhi 110021

Website: <http://fiuindia.gov.in>

A copy of the information furnished shall be retained by the Principal Officer for the purposes of official record.

Prohibition on Disclosure of Information

No Representative of the Company and / or Agent shall disclose the fact that a Suspicious Transactions Report or related information of a policyholder/prospect is being reported or provided to the FIU-IND.

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

- (a) By virtue of Section 51A of Unlawful Activities (Prevention) Act, 1976, the Central Government is empowered to freeze, seize or attach funds of and/or prevent entry into or transit through India any individual or entities that are suspected to be engaged in terrorism.

- (b) The Company shall follow the procedure prescribed by respective regulators for freezing of accounts of designated individuals/entities in case any Client records are matched with that of designated individuals/ entities.
- (c) The Company shall comply with the procedure prescribed by respective regulators for unfreezing of accounts of 'designated individuals/entities' in case of individuals/entities inadvertently affected by the freezing mechanism, upon verification that the individual/ entity is not a designated individual/entity.
- (d) The Company shall comply with the procedure prescribed by respective regulator for implementation of requests received for freezing of accounts of 'designated individuals/entities' without prior notice to the designated persons involved.

9 Record maintenance

The Company shall maintain the records of the identity of its clients in a manner as may be specified by its regulators from time to time.

The Company to maintain records for transactions as under:

- (a) Records of all transactions to be maintained whether attempted or executed, for a period of five years from the date of transactions between the clients and the entity, in such manner as to enable it to reconstruct individual transactions.
- (b) Records of documents evidencing identity of its clients and beneficial owners as well as account files and business correspondence relating to its clients are required to be maintained for a period of five years after the business relationship between the client and the entity has ended or the account has been closed, whichever is later.

Above records shall contain all necessary information specified by SEBI including the following information:

- (a) The nature of the transactions;
- (b) The amount of the transaction and the currency in which it is denominated;
- (c) The date on which the transaction was conducted; and
- (d) The parties to the transaction.

10 Hiring of Employees and Staff Training

The Company shall have adequate screening procedures in place to ensure high standards while hiring employees. It shall identify the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up key positions understand the objects of the Act clearly and are suitable and competent to perform their duties.

Staff of the entity shall be provided proper training as required by the respective regulators, on anti-money laundering and anti-terrorist financing measures and high standards are maintained while hiring employees.

Annexure I

Procedure for determination of beneficial ownership is as under:

- (a) Where the Investor is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means.

Explanation - For the purpose of this sub-clause-

1. "Controlling ownership interest" means ownership of or entitlement to more than ten percent of shares or capital or profits of the company;
 2. "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;
- (b) where the Investor is a partnership firm, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of/entitlement to more than fifteen percent of capital or profits of the partnership;
- (c) where the Investor is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen percent of the property or capital or profits of such association or body of individuals;
- (d) Where no natural person is identified under (a) or (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;
- (e) where the Investor is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with ten percent or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership; and
- (f) Where the Investor 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.

Annexure II

Additional document to be obtained in case of Non-Individual Investor

Types of Entity	Documentary requirement
Corporate	<ul style="list-style-type: none"> • 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 all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD/ 2 Director in case no CS/WTD/MD (to be submitted every year). • Photograph, Proof of Identity, Proof of Address, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations. • Photograph, Proof of Identity, Proof of Address, PAN of individual promoters holding control - either directly or indirectly. • Copies of the Memorandum and Articles of Association and certificate of incorporation. • Copy of the Board Resolution for investment in securities market. • Authorised signatories list with specimen signatures. • List of Ultimate Beneficial Owner of the Company and their Proof of Identity and Proof of Address
Partnership firm	<ul style="list-style-type: none"> • Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Certificate of registration (for registered partnership firms only). Copy of partnership deed. • Authorised signatories list with specimen signatures. Photograph, Proof of Identity, Proof of Address, PAN of Partners. • List of Ultimate Beneficial Owner of the Partnership Firm and their Proof of Identity and Proof of Address
Trust	<ul style="list-style-type: none"> • Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Certificate of registration (for registered trust only). • Copy of Trust deed. List of trustees certified by managing trustees/CA. Photograph, Proof of Identity, Proof of Address, PAN of Trustees. • List of Ultimate Beneficial Owner of the Trust and their Proof of Identity and Proof of Address
HUF	<ul style="list-style-type: none"> • PAN of HUF. • Deed of declaration of HUF/ List of coparceners. • Bank pass-book/bank statement in the name of HUF. • Photograph, Proof of Identity, Proof of Address, PAN of Karta
Unincorporated association or a body of individuals	<ul style="list-style-type: none"> • 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
Banks/Institutional	<ul style="list-style-type: none"> • Copy of the constitution/registration or annual report/balance sheet for the last 2

Investors	financial years. <ul style="list-style-type: none"> • Authorized signatories list with specimen signatures
Foreign Institutional Investors (FII)/ Foreign Portfolio Investors (FPI)	<ul style="list-style-type: none"> • Copy of SEBI registration certificate. • Authorized signatories list with specimen signatures
Army/ Government Bodies	<ul style="list-style-type: none"> • Self-certification on letterhead. • Authorized signatories list with specimen signatures.
Registered Society	<ul style="list-style-type: none"> • Copy of Registration Certificate under Societies Registration Act. • List of Managing Committee members. • Committee resolution for persons authorised to act as authorised signatories with specimen signatures. • True copy of Society Rules and Bye Laws certified by the Chairman/Secretary

Annexure III

Illustrative list of Suspicious Transactions

1. Investor is insisting on anonymity, reluctance to provide identifying information, or providing minimal information;
2. Frequent request for change in addresses;
3. Clients where the source of the funds is not clear or not in keeping with client's apparent standing/business activity;
4. Frequent transfer(s) of beneficial interest to apparently unrelated third parties within a month without any reasonable explanation
5. Where transaction does not make economic sense
6. Overpayment of contribution with a request to refund the amount overpaid
7. Request for payment made in favor of a third party who has no relation to the transaction
8. Investors investing via more than one Bank Accounts or registers more than one bank account
9. The customer details matched with watch lists

Annexure IV
Risk Categorization Criteria

Category	Criteria
Cases likely to be covered under higher risk	Persons debarred from the Securities Market
	Persons who were debarred from dealing in securities market in past and the period of debarment has been completed
	Persons debarred from dealing in a particular security
	Persons debarred from dealing in a particular security or market if certain prerequisites are not fulfilled within given timelines
	Persons debarred from dealing in security market till schemes wound up and refunds given to investors or till all the pending investor grievances against the concerned entity have been resolved and reported to and confirmed by the SEBI
	Orders levying penalty and disgorgement of unlawful gains
	Convicted by any court for heinous crimes (eg. Rape / murder charges, Forgery, cheating, Assault, causing hurt, Rioting)
	Entity mentioned in MCA Strike-Off list
	Entities covered under FIU confirmed list
	Entities covered under watch List against which action to be taken is mentioned as 'Strict No'
Cases likely to be covered under medium risk	Non-Resident Indians
	Politically exposed persons
	Non Profit Organisations
	Clients falling in any of the criteria in Annexure III
	Director of any Company struck-off in MCA's records
	Entities covered under FIU derived list
	Persons covered under FIU suspected list
	Persons in exchange shell list
	Persons which are Tax Defaulters
Persons covered under MCA Disqualified Directors list	
Low Risk	All other not covered above