

MKVENTURES CAPITAL LIMITED
(Formerly known as “IKAB SECURITIES AND INVESTMENT LIMITED”)

KNOW YOUR CUSTOMER /
ANTI-MONEY LAUNDERING /
FINANCIAL TERRORISM POLICY

POLICY VERSION CONTROL:

Version	Approval	Version Description	Regulatory Reference
I	Board Meeting dated August 04, 2023	2023	RBI Regulations

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1. Preamble

Reserve Bank of India has issued Master Direction- Know Your Customer (KYC), RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 (Updated from time to time) regarding comprehensive guidelines on Know Your Customer (KYC) norms and Anti money Laundering (AML) standards and has advised all NBFCs to ensure that a proper policy framework on KYC and AML measures be formulated and put in place with the approval of the Board.

In terms of the RBI Directions, MKVentures Capital Limited (hereinafter referred as “the Company”) has formulated this KYC & AML POLICY.

2. Objectives

The basic objectives of the Policy:

- (a) To comply with the guidelines issued in Prevention of Money Laundering Act (PMLA), 2002.
- (b) To adhere the “Know Your Customer” (KYC) policies and procedures issued by Reserve Bank of India vide circular no. RBI/DBR/2015-16/18 dated February 25, 2016 and updated from time to time as per the updated master direction. Further, the policy is amended in accordance with the changes carried out in the Reserve Bank of India (Know Your Customer (KYC) Directions, 2016 issued vide notification no. DOR.AML.BC.No.81/14.01.001/2015-16 dated April 20, 2020.
- (c) To prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.
- (d) This policy document envisages the establishment and adoption of measures and procedures relating to KYC, AML and CFT for THE COMPANY in accordance with the requirements prescribed by RBI and modified from time to time.

3. Scope

KYC and AML Policy guidelines are applicable to all the employees and the associates of the organization.. The employees should adhere to the guidelines mentioned in this policy while drafting their internal policies, procedures, products etc. This policy should be read in conjunction with related operational guidelines issued from time to time by Company.

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4. Definitions

4.1. Terms bearing meaning assigned in terms of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005:

- I. **“Aadhaar number”** shall have the meaning assigned to it in clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016);
- II. **“Act” and “Rules”** means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto.
- III. **“Authentication”**, in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.

IV. **Beneficial Owner (BO)**

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

Explanation- For the purpose of this sub-clause

- i. **“Controlling ownership interest”** means ownership of/entitlement to more than 10 percent of the shares or capital or profits of the company.
 - ii. **“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 customer 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/have ownership of/entitlement to more than 15 percent of capital or profits of the partnership.
 - (c) Where the customer 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/have ownership of/entitlement to more than 15 percent of the property or capital or profits of the unincorporated association or body of individuals.

Explanation: Term ‘body of individuals’ includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

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(d) Where the customer is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 10 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.

V. **“Certified Copy”** - Obtaining a certified copy by the Entity shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid document so produced by the customer with the original and recording the same on the copy by the authorised officer of the company as per the provisions contained in the Act. Company.

Provided that in case of Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs), as defined in Foreign Exchange Management (Deposit) Regulations, 2016 {FEMA 5(R)}, alternatively, the original certified copy, certified by any one of the following, may be obtained:

- a) authorised officials of overseas branches of Scheduled Commercial Banks registered in India,
- b) branches of overseas banks with whom Indian banks have relationships,
- c) Notary Public abroad,
- d) Court Magistrate,
- e) Judge,
- f) Indian Embassy/Consulate General in the country where the non- resident customer resides.

VI. **“Central KYC Records Registry”** (CKYCR) means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer. VII. **“Company”** means MKVentures Capital Limited

VIII. **“Demographic information”**, as defined in Section 2(k) of the Aadhaar Act, includes information relating to the name, date of birth, address and other relevant information of an individual, as may be specified by regulations for the purpose of issuing an Aadhaar number, but shall not include race, religion, caste, tribe, ethnicity, language, records of entitlement, income or medical history;

IX. **“Digital KYC”** means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the Entity as per the provisions contained in the Act.

X. **“Digital Signature”** shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000 (21 of 2000).

XI. **“Enrolment number”** means “Enrolment ID” as defined in Section 2(1)(j) of the Aadhaar (Enrolment and Update) Regulation, 2016 which means a 28-digit Enrolment Identification Number allocated to residents at the time of enrolment of Aadhaar.

XII. **“Equivalent e-document”** means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the

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Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.

- XIII. “**Know Your Client (KYC) Identifier**” means the unique number or code assigned to a customer by the Central KYC Records Registry.
- XIV. “**Non-profit organisations**” (NPO) means any entity or organisation that is registered as a trust or a society under the Societies Registration Act, 1860 or any similar State legislation or a company registered under Section 8 of the Companies Act, 2013.
- XV. “**Officially Valid Document**” (OVD) means the passport, the driving licence, proof of possession of Aadhaar number, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address.

Provided that,

- (a) where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.
- (b) where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVDs for the limited purpose of proof of address:-
- i. utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
 - ii. property or Municipal tax receipt;
 - iii. pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
 - iv. letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation;
- (c) the customer shall submit OVD with current address within a period of three months of submitting the documents specified at ‘ii’ above
- (d) where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.
- XVI. Explanation: For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name. **Offline verification**” shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016).

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- XVII. **"Person"** has the same meaning assigned in the Act and includes:
- (a) an individual,
 - (b) a Hindu undivided family,
 - (c) a company,
 - (d) a firm,
 - (e) an association of persons or a body of individuals, whether incorporated or not,
 - (f) every artificial juridical person, not falling within any one of the above persons (a to e), and
 - (g) any agency, office or branch owned or controlled by any of the above persons (a to f).
- XVIII. A **'Small Account'** means a savings account which is opened in terms of sub rule (5) of the PML Rules, 2005. Details of the operation of a small account and controls to be exercised for such account are specified in Section 23.
- XIX. **"Principal Officer"** means an officer nominated by the RE, responsible for furnishing information as per rule 8 of the Rules.
- XX. **"Designated Director"** means a person designated by the RE to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include:
- (a) the Managing Director or a whole-time Director, duly authorized by the Board of Directors, if the RE is a company.
 - (b) the Managing Partner, if the RE is a partnership firm,.
 - (c) the Proprietor, if the RE is a proprietorship concern,
 - (d) the Managing Trustee, if the RE is a trust,
 - (e) a person or individual, as the case may be, who controls and manages the affairs of the RE, if the RE is an unincorporated association or a body of individuals, and
 - (f) a person who holds the position of senior management or equivalent designated as a 'Designated Director' in respect of Cooperative Banks and Regional Rural Banks.

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.

- XXI. **"Suspicious transaction"** means a "transaction" as defined below, including an attempted 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 proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
 - (b) appears to be made in circumstances of unusual or unjustified complexity; or
 - (c) appears to not have economic rationale or bona-fide purpose; or
 - (d) 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.

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- XXII. **“Transaction”** means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:
- (a) opening of an account;
 - (b) deposit, 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;
 - (c) the use of a safety deposit box or any other form of safe deposit; (d) entering into any fiduciary relationship;
 - (e) any payment made or received, in whole or in part, for any contractual or other legal obligation; or
 - (f) establishing or creating a legal person or legal arrangement.

4.2. Terms bearing meaning assigned in this Directions, unless the context otherwise requires, shall bear the meanings assigned to them below:

- I. **“Common Reporting Standards”** (CRS) means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters.
- II. **“Correspondent Banking”** means the provision of banking services by one bank (the “correspondent bank”) to another bank (the “respondent bank”). Respondent banks may be provided with a wide range of services, including cash management (e.g., interest-bearing accounts in a variety of currencies), international wire transfers, cheque clearing, payable-through accounts and foreign exchange services.
- III. **“Customer”** means a person who is engaged in a financial transaction or activity with a Regulated Entity (RE) and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
- IV. **“Walk-in Customer”** means a person who does not have an account-based relationship with the RE, but undertakes transactions with the Company.RE.
- V. **“Customer Due Diligence (CDD)”** means identifying and verifying the customer and the beneficial owner.
- VI. **“Customer identification”** means undertaking the process of CDD.
- VII. **“FATCA”** means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.
- VIII. **“IGA”** means Inter Governmental Agreement between the Governments of India and the USA to improve international tax compliance and to implement FATCA of the USA.
- IX. **“KYC Templates”** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
- X. **“Non-face-to-face customers”** means customers who open accounts without visiting the branch/offices of the Company or meeting the officials of the Company.

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- XI. **“On-going Due Diligence”** means regular monitoring of transactions in accounts to ensure that they are consistent with the customers’ profile and source of funds.
- XII. **“Periodic Updation”** means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the Reserve Bank.
- XIII. **“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.
- XIV. **“Regulated Entities”** (REs) means
- (a) all Scheduled Commercial Banks (SCBs)/ Regional Rural Banks (RRBs)/ Local Area Banks (LABs)/ All Primary (Urban) Co-operative Banks (UCBs) /State and Central Co- operative Banks (StCBs / CCBs) and any other entity which has been licenced under Section 22 of Banking Regulation Act, 1949, which as a group shall be referred as ‘banks’
 - (b) All India Financial Institutions (AIFIs)
 - (c) All Non-Banking Finance Companies (NBFCs), Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non-Banking Companies (RNBCs).
 - (d) All Payment System Providers (PSPs)/ System Participants (SPs) and Prepaid Payment Instrument Issuers (PPI Issuers)
 - (e) All authorised persons (APs) including those who are agents of Money Transfer Service Scheme (MTSS), regulated by the Regulator.

Shell Bank” means a bank that has no physical presence in the country in which it is incorporated and licensed, and which is unaffiliated with a regulated financial group that is subject to effective consolidated supervision. Physical presence means meaningful mind and management located within a country. The existence simply of a local agent or low-level staff does not constitute physical presence.

- XV. **“Wire transfer”** means a transaction carried out, directly or through a chain of transfers, on behalf of an originator person (both natural and legal) through a bank by electronic means with a view to making an amount of money available to a beneficiary person at a bank.
- XVI. **“Domestic and cross-border wire transfer”**: When the originator bank and the beneficiary bank is the same person or different person located in the same country, such a transaction is a domestic wire transfer, and if the ‘originator bank’ or ‘beneficiary bank’ is located in different countries such a transaction is cross-border wire transfer.

4.3. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1935, the Prevention of Money Laundering Act, 2002, the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the 14Aadhar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 and regulations made thereunder, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

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5. Key Elements

The Company has framed its KYC policy incorporating the following four key elements: -

5.1. Customer Acceptance Policy (CAP)

The Company has developed a clear Customer Acceptance Policy laying down explicit criteria for acceptance of customers. Customer Acceptance Policy shall not result in denial of banking/financial facility to members of the general public, especially those, who are financially or socially disadvantaged. While taking decision to grant any facilities to the customers as well as during the continuation of any facilities the following norms and procedures will be followed by the company:

- (a) No account is opened in anonymous or fictitious/benami name.
- (b) No account is opened where the company is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.
- (c) No transaction or account-based relationship is undertaken without following the CDD procedure.
- (d) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- (e) ‘Optional’/additional information, is obtained with the explicit consent of the customer after the account is opened.
- (f) The Company will apply the CDD procedure at the Unique Customer Identification Code (UCIC) level. Thus, if an existing KYC compliant customer of the Company desires to open another account, there shall be no need for a fresh CDD exercise.
- (g) CDD Procedure is followed for all the joint account holders, while opening a joint account.
- (h) Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- (i) Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.
- (j) Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- (k) Where an equivalent e-document is obtained from the customer, the Company will verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
- (l) Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.
- (m) Where company forms a suspicion of money laundering or terrorist financing, and it reasonably believes that performing the CDD process will tip-off the customer, it shall not pursue the CDD process, and instead file an STR with FIU-IND

The Company has formulated an indicative list of customers and their respective risk categories. Please find attached as Annexure-A.

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5.2. Customer Identification Procedure (‘CIP’)

The Company will undertake identification of customers in the following cases:

- (a) Commencement of an account-based relationship with the customer.
- (b) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- (c) Selling third party products as agents, selling their own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than rupees fifty thousand.
- (d) Carrying out transactions for a non-account-based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
- (e) When the company has reason to believe that a customer (account- based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.

For the purpose of verifying the identity of customers at the time of commencement of an account- based relationship, the company shall at their option, 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) 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.

Set out below is the company’s adopted Customer Identification Procedure that shall be carried out at different stages, i.e. while establishing a relationship; carrying out a transaction and/or when the company has a reasonable doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

The Company will identify the customer and verifying his/ her identity by using reliable independent sources of documents, data or information to ensure that the customer is not a fictitious person.

The Company will be able to satisfy the competent authorities that due diligence was observed based on risk profile of the customer in compliance with extant guidelines in place. Besides risk perception, the nature of information / documents required would also depend on the type of customer (individual, corporate etc.)

Identification as under, would be required to be obtained in respect of different classes of customers:

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- I. Customers that are natural persons:**
 - a) Address/location details
 - b) Identity Proof and Recent photograph

- II. Customers that are legal persons:**
 - a) Legal status of the legal person/entity through proper and relevant documents.
 - b) Verification that any person purporting to act on behalf of the legal person/entity is so authorized and identity of that person is established and verified.
 - c) Understand the ownership and control structure of the customer and determine who are the natural persons and ultimately control the legal person.

An indicative list of the nature and type of documents/information that may be relied upon for customer identification are provided as Annexure-B.

5.3. Monitoring of Transactions

Ongoing monitoring is an essential element of effective KYC procedures. The company can effectively control and reduce its risk only if it has an understanding of the normal and reasonable activity of the customer so that it can identify transactions that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk sensitivity of the account. Since the company does not have any deposit accounts, this situation will not arise, but the company will pay special attention to depleting financial ratios, adequacy of collaterals etc. The Company will put in place a system of half-yearly review of risk categorization of all outstanding accounts and the need for applying enhanced due diligence measures.

The Company will ensure that record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, in a separate register at the registered office of The Company in physical or electronic form and make it available to the regulatory and investigating authorities. It will also ensure that transactions of suspicious nature and/or any other type of transaction notified under section 12 of the PML Act, 2002, is reported to the appropriate law enforcement authority.

5.4. Risk Management Management

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

- (a) Customers shall be categorised as low, medium and high risk category, based on the assessment and risk perception of the Company .

- (b) Broad principles may be laid down by the REs for risk-categorisation of customers.

- (c) Risk categorisation 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, 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 in.

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- (d) The risk categorisation of a customer and the specific reasons for such categorisation shall be kept confidential and shall not be revealed to the customer to avoid tipping off the customer.

THE COMPANY has formulated an indicative list of customers and their respective risk categories. Please find attached as Annexure-A.

6. Money Laundering and Terrorist Financing Risk Assessment

- (a) The Company will carry out ‘Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment’ exercise annually 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 will 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 will be properly documented and be proportionate to the nature, size, geographical presence, complexity of 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.
- (c) The outcome of the exercise shall be put up to the Board or Risk Management Committee of Board of the Board to which power in this regard has been delegated and should be available to competent authorities and self-regulating bodies.
- (d) The Company will apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and should have Board approved policies, controls and procedures in this regard. Further, the company will monitor the implementation of the controls and enhance them if necessary.

7. Periodic Updating of KYC data

THE COMPANY will periodically update Customer’s KYC information / documents after the transaction is entered. The periodicity of updating of Customer’s KYC data shall be once in 10 years for low risk customers, once in every 8 years for medium risk customers, and once in 2 years for high risk categories, subject to following conditions:

- (a) Fresh proofs of identity and address shall not be sought at the time of periodic updation from customers who are categorized as ‘low risk’, when there is no change in status with respect to their identities and addresses and a self-certification to that effect is obtained.
- (b) A certified copy of the proof of address forwarded by ‘low risk’ customers through mail/post, etc., in case of change of address shall be acceptable.

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- (c) Physical presence of low risk customer at the time of periodic updation shall not be insisted upon.
- (d) The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.
- (e) Fresh photographs shall be obtained from customer for whom account was opened when they were minor, on their becoming a major.
- (f) E-KYC process using OTP based authentication for periodic updation is allowed provided while on boarding, the customer was subjected to proper KYC process.

The Company has adopted the following risk-based approach for periodic updation of

KYC: High Risk – At least once in every two years

Medium Risk - At least once in every eight years

Low Risk - At least once in every ten years

Following are the additional guidelines for periodic updation of KYC:

(a) Individual Customers:

- i. **No change in KYC information:** In case of no change in the KYC information, a self-declaration from the customer in this regard shall be obtained through customer’s email-id registered with the company, customer’s mobile number registered with the company, ATMs, digital channels (such as online banking / internet banking, mobile application of company), letter etc.
- ii. **Change in address:** In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer’s Email Id registered with the company, customer’s mobile number registered with the company, letter etc., and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables etc.

Further, the company, at their option, may obtain a copy of OVD or deemed OVD or the equivalent e-documents thereof, as defined in Section 3(a)(xiii) of the Master Direction, for the purpose of proof of address, declared by the customer at the time of periodic updation.
- iii. Accounts of customers, who were minor at the time of opening account, on their becoming major: In case of customers for whom account was opened when they were minor, fresh photographs shall be obtained on their becoming a major and at that time it shall be ensured that CDD documents as per the current CDD standards are available with the THE COMPANY.REs. Wherever required, THE COMPANY may carry out fresh KYC of such customers i.e. customers for whom account was opened when they were minor, on their becoming a major.
- iv. Aadhaar OTP based e-KYC in non-face to face mode may be used for periodic updation. To clarify, conditions stipulated in Sub-Section 2 D of section 9 PART 1 are not applicable in case of updation / periodic updation of KYC through Aadhaar OTP based e-KYC in non-face to face mode. Declaration of current address, if the current address is different from the address in Aadhaar, shall not require positive confirmation in this case. Company will ensure that the mobile number for Aadhaar authentication is same as the one available with them in the customer’s profile, in order to prevent any fraud.

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(b) Customers other than individuals:

- i. **No change in KYC information:** In case of no change in the KYC information of the LE customer, a self-declaration in this regard shall be obtained from the LE customer through its email id registered with the company, letter from an official authorized by the LE in this regard, board resolution etc. Further, the company will ensure during this process that Beneficial Ownership (BO) information available with them is accurate and shall update the same, if required, to keep it as up-to-date as possible.
- ii. **Change in KYC information:** In case of change in KYC information, the company will undertake the KYC process equivalent to that applicable for on-boarding a new LE customer.

(c) Additional measures: In addition to the above, the company will ensure that,

- i. The KYC documents of the customer as per the current CDD standards are available with them. This is applicable even if there is no change in customer information but the documents available with the Company are not as per the current CDD standards. Further, in case the validity of the CDD documents available with the company has expired at the time of periodic updation of KYC, the company will undertake the KYC process equivalent to that applicable for on- boarding a new customer.
 - ii. Customer’s PAN details, if available with the company, is verified from the database of the issuing authority at the time of periodic updation of KYC.
 - iii. Acknowledgment is provided to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out periodic updation. Further, it shall be ensured that the information / documents obtained from the customers at the time of periodic updation of KYC are promptly updated in the records / database of the Company and an intimation, mentioning the date of updation of KYC details, is provided to the customer.
 - iv. In order to ensure customer convenience, The Company may consider making available the facility of periodic updation of KYC at any branch,
- (d) The Company will advise the customers that in order to comply with the PML Rules, in case of any update in the documents submitted by the customer at the time of establishment of business relationship / account-based relationship and thereafter, as necessary; customers shall submit to the company the update of such documents. This shall be done within 30 days of the update to the documents for the purpose of updating the records at the companies end.

In case of existing customers, the company will obtain the Permanent Account Number or equivalent e-document thereof or Form No.60, by such date as may be notified by the Central Government, failing which the company will temporarily cease operations in the account till the time the Permanent Account Number or equivalent e-documents thereof or Form No. 60 is submitted by the customer.

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Provided that before temporarily ceasing operations for an account, the company will give the customer an accessible notice and a reasonable opportunity to be heard. Further, the company will include, in its internal policy, appropriate relaxation(s) for continued operation of accounts for customers who are unable to provide Permanent Account Number or equivalent e-document thereof or Form No. 60 owing to injury, illness or infirmity on account of old age or otherwise, and such like causes. Such accounts shall, however, be subject to enhanced monitoring.

Provided further that if a customer having an existing account-based relationship with the company gives in writing to the Company that he does not want to submit his Permanent Account Number or equivalent e-document thereof or Form No.60, the company will close the account and all obligations due in relation to the account shall be appropriately settled after establishing the identity of the customer by obtaining the identification documents as applicable to the customer.

Explanation – For the purpose of this Section, “temporary ceasing of operations” in relation an account shall mean the temporary suspension of all transactions or activities in relation to that account by the company till such time the customer complies with the provisions of this Section. In case of asset accounts such as loan accounts, for the purpose of ceasing the operation in the account, only credits shall be allowed.

8. Compliance of KYC Policy

THE COMPANY’S internal audit and compliance functions periodically evaluate the level of adherence to the KYC policies and procedures.

THE COMPANY’S KYC & PMLA Policy function and audit function together shall provide an independent evaluation of the effectiveness of KYC policies and procedures, including legal and regulatory requirements.

The Audit Committee of the Board shall review adherence to the KYC guidelines at quarterly intervals.

Internal Audit shall on a yearly basis conduct an evaluation of compliance functions of policies and procedures including legal and regulatory requirements.

The Company will ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

9. Customer Due Diligence Procedures (“CDD”)

For undertaking CDD, THE COMPANY will obtain the information from an individual while establishing an account-based relationship or while dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity.

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Part I -CDD Procedure in case of Individuals

1. For undertaking CDD, Company will obtain the following from an individual while establishing an account-based relationship or while dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:
 - a) the Aadhaar number where,
 - i. he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); or
 - ii. he decides to submit his Aadhaar number voluntarily to a bank or any Company notified under first proviso to sub-section (1) of section 11A of the PML Act; or
 - (aa) the proof of possession of Aadhaar number where offline verification can be carried out; or
 - (ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; or
 - (ac) the KYC Identifier with an explicit consent to download records from CKYCR; and
 - b) the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and
 - c) such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as may be required by the RE:

Provided that where the customer has submitted,

- i) Aadhaar number under clause (a) above to a bank or to a company notified under first proviso to sub-section (1) of section 11A of the PML Act, such bank or company will carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the 16 Central Identities Data Repository, he may give a self-declaration to that effect to the RE.
- ii) proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, the company will carry out offline verification.
- iii) an equivalent e-document of any OVD, the company will verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues thereunder and take a live photo as specified under Annex I.
- iv) any OVD or proof of possession of Aadhaar number under clause (ab) above where offline verification cannot be carried out, the company shall carry out verification through digital KYC as specified under Annex I.

Provided that for a period not beyond such date as may be notified by the Government for a class of REs, instead of carrying out digital KYC, the company pertaining to such class may obtain a certified copy of the proof of possession of Aadhaar number or the OVD and a recent photograph where an equivalent e-document is not submitted.

Provided further that in case e-KYC authentication cannot be performed for an individual desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the

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Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, company will, apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD or the equivalent edocument thereof from the customer. CDD done in this manner shall invariably be carried out by an official of the company and such exception handling shall also be a part of the concurrent audit as mandated in Section 8. Company will ensure to duly record the cases of exception handling in a centralised exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorising the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by the company and shall be available for supervisory review.

Explanation 1: The Company shall, where its customer submits a proof of possession of Aadhaar Number containing Aadhaar Number, ensure that such customer redacts or blacks out his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required as per proviso (i) above.

Explanation 2: Biometric based e-KYC authentication can be done by bank official/business correspondents/business facilitators.

Explanation 3: The use of Aadhaar, proof of possession of Aadhaar etc., shall be in accordance with the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act, 2016 and the regulations made thereunder.

- d) Accounts opened using OTP based e-KYC, in non-face-to-face mode, are subject to the following conditions:
- i. There must be a specific consent from the customer for authentication through OTP.
 - ii. As a risk-mitigating measure for such accounts, Company will ensure that transaction alerts, OTP, etc., are sent only to the mobile number of the customer registered with Aadhaar. Company will have a board approved policy delineating a robust process of due diligence for dealing with requests for change of mobile number in such accounts.
 - iii. the aggregate balance of all the deposit accounts of the customer shall not exceed rupees one lakh. In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD as mentioned at (v) below is complete.
 - iv. the aggregate of all credits in a financial year, in all the deposit accounts taken together, shall not exceed rupees two lakh.
 - v. As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.
 - vi. Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year unless identification as per Section 16 or as per Section 18 (V-CIP) is carried out. If Aadhaar details are used under Section 18, the process shall be followed in its entirety including fresh Aadhaar OTP authentication.
 - vii. If the CDD procedure as mentioned above is not completed within a year, in respect of deposit accounts, the same shall be closed immediately. In respect of borrowal accounts no further debits shall be allowed.

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- viii. A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in non face-to-face mode with any other RE. Further, while uploading KYC information to CKYCR, company will clearly indicate that such accounts are opened using OTP based e-KYC and other company will not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to-face mode.
- ix. THE COMPANY will have strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above mentioned conditions.

Company may undertake V-CIP to carry out:

- i) CDD in case of new customer on-boarding for individual customers, proprietor in case of proprietorship firm, authorised signatories and Beneficial Owners (BOs) in case of Legal Entity (LE) customers.

Provided that in case of CDD of a proprietorship firm, Company will also obtain the equivalent e- document of the activity proofs with respect to the proprietorship firm, as mentioned in Section 28 and Section 29, apart from undertaking CDD of the proprietor.

- ii) Conversion of existing accounts opened in non-face to face mode using Aadhaar OTP based e-KYC authentication as per Section 17.
- iii) Updation/Periodic updation of KYC for eligible customers.

Company opting to undertake V-CIP, shall adhere to the following minimum standards: (a) V-

CIP Infrastructure

- i) The company should have complied with the RBI guidelines on minimum baseline cyber security and resilience framework for banks, as updated from time to time as well as other general guidelines on IT risks. The technology infrastructure should be housed in own premises of the company and the V-CIP connection and interaction shall necessarily originate from its own secured network domain. Any technology related outsourcing for the process should be compliant with relevant RBI guidelines.
- ii) The company will ensure end-to-end encryption of data between customer device and the hosting point of the V-CIP application, as per appropriate encryption standards. The customer consent should be recorded in an auditable and alteration proof manner.
- iii) The V-CIP infrastructure / application should be capable of preventing connection from IP addresses outside India or from spoofed IP addresses.
- iv) The video recordings should contain the live GPS co-ordinates (geo-tagging) of the customer undertaking the V-CIP and date-time stamp. The quality of the live video in the V-CIP shall be adequate to allow identification of the customer beyond doubt.
- v) The application shall have components with face liveness / spoof detection as well as face matching technology with high degree of accuracy, even though the ultimate responsibility of any customer identification rests with the RE. Appropriate artificial intelligence (AI) technology can be used to ensure that the V-CIP is robust.

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- vi) Based on experience of detected / attempted / ‘near-miss’ cases of forged identity, the technology infrastructure including application software as well as work flows shall be regularly upgraded. Any detected case of forged identity through V-CIP shall be reported as a cyber event under extant regulatory guidelines.
- vii) The V-CIP infrastructure shall undergo necessary tests such as Vulnerability Assessment, Penetration testing and a Security Audit to ensure its robustness and end-to-end encryption capabilities. Any critical gap reported under this process shall be mitigated before rolling out its implementation. Such tests should be conducted by the empanelled auditors of Indian Computer Emergency Response Team (CERT-In). Such tests should also be carried out periodically in conformance to internal / regulatory guidelines.
- viii) The V-CIP application software and relevant APIs / webservice shall also undergo appropriate testing of functional, performance, maintenance strength before being used in live environment. Only after closure of any critical gap found during such tests, the application should be rolled out. Such tests shall also be carried out periodically in conformity with internal/ regulatory guidelines.

(b) V-CIP Procedure

- i) Each company will formulate a clear work flow and standard operating procedure for V-CIP and ensure adherence to it. The V-CIP process shall be operated only by officials of the company specially trained for this purpose. The official should be capable to carry out liveness check and detect any other 20 fraudulent manipulation or suspicious conduct of the customer and act upon it.
- ii) Disruption of any sort including pausing of video, reconnecting calls, etc., should not result in creation of multiple video files. If pause or disruption is not leading to the creation of multiple files, then there is no need to initiate a fresh session by the company. However, in case of call drop / disconnection, fresh session shall be initiated..
- iii) The sequence and/or type of questions, including those indicating the liveness of the interaction, during video interactions shall be varied in order to establish that the interactions are real-time and not pre-recorded.
- iv) Any prompting, observed at end of customer shall lead to rejection of the account opening process.
- v) The fact of the V-CIP customer being an existing or new customer, or if it relates to a case rejected earlier or if the name appearing in some negative list should be factored in at appropriate stage of work flow.
- vi) The authorised official of the company performing the V-CIP shall record audiovideo as well as capture photograph of the customer present for identification and obtain the identification information using any one of the following:
 - (a) OTP based Aadhaar e-KYC authentication
 - (b) Offline Verification of Aadhaar for identifications
 - (c) KYC records downloaded from CKYCR, in accordance with Section 56, using the KYC identifier provided by the customer
 - (d) Equivalent e-document of Officially Valid Documents (OVDs) including documents issued through Digilocker

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The Company will ensure to redact or blackout the Aadhaar number in terms of Section 16.

In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than 3 working days from the date of carrying out V-CIP.

Further, in line with the prescribed period of three days for usage of Aadhaar XML file / Aadhaar QR code, company will ensure that the video process of the V-CIP is undertaken within three working days of downloading / obtaining the identification information through CKYCR / Aadhaar authentication / equivalent e-document, if in the rare cases, the entire process cannot be 21 completed at one go or seamlessly. However, company will ensure that no incremental risk is added due to this.

- vii) If the address of the customer is different from that indicated in the OVD, suitable records of the current address shall be captured, as per the existing requirement. It shall be ensured that the economic and financial profile/information submitted by the customer is also confirmed from the customer undertaking the V-CIP in a suitable manner.
- viii) Company will capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority including through Digilocker.
- ix) Use of printed copy of equivalent e-document including e-PAN is not valid for the V-CIP.
- x) The authorised official of the THE COMPANY will ensure that photograph of the customer in the Aadhaar/OVD and PAN/e-PAN matches with the customer undertaking the V-CIP and the identification details in Aadhaar/OVD and PAN/e-PAN shall match with the details provided by the customer.
- xi) Assisted V-CIP shall be permissible when banks take help of Banking Correspondents (BCs) facilitating the process only at the customer end. Banks shall maintain the details of the BC assisting the customer, where services of BCs are utilized. The ultimate responsibility for customer due diligence will be with the bank.
- xii) All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process and its acceptability of the outcome.
- xiii) All matters not specified under the paragraph but required under other statutes such as the Information Technology (IT) Act shall be appropriately complied with by the RE.

(c) V-CIP Records and Data Management

- i) The entire data and recordings of V-CIP shall be stored in a system / systems located in India. Company will ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp that affords 22 easy historical data search. The extant instructions on record management, as stipulated in this MD, shall also be applicable for V-CIP.
- ii) The activity log along with the credentials of the official performing the V-CIP shall be preserved.

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Notwithstanding anything contained in Section 16 and as an alternative thereto, in case an individual who desires to open a bank account, banks shall open a ‘Small Account’, which entails the following limitations:

- i. the aggregate of all credits in a financial year does not exceed rupees one lakh;
- ii. the aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand; and
- iii. the balance at any point of time does not exceed rupees fifty thousand. 28 Provided, that this limit on balance shall not be considered while making deposits through Government grants, welfare benefits and payment against procurements.

Further, small accounts are subject to the following conditions:

- (a) The bank shall obtain a self-attested photograph from the customer.
- (b) The designated officer of the bank certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.

Provided that where the individual is a prisoner in a jail, the signature or thumb print shall be affixed in presence of the officer in-charge of the jail and the said officer shall certify the same under his signature and the account shall remain operational on annual submission of certificate of proof of address issued by the officer in-charge of the jail.

- (c) Such accounts are opened only at Core Banking Solution (CBS) linked branches or in a branch where it is possible to manually monitor and ensure that foreign remittances are not credited to the account.
- (d) Banks shall ensure that the stipulated monthly and annual limits on aggregate of transactions and balance requirements in such accounts are not breached, before a transaction is allowed to take place.
- (e) The account shall remain operational initially for a period of twelve months which can be extended for a further period of twelve months, provided the account holder applies and furnishes evidence of having applied for any of the OVDs during the first twelve months of the opening of the said account.
- (f) The entire relaxation provisions shall be reviewed after twenty four months.
- (g) Notwithstanding anything contained in clauses (e) and (f) above, the small account shall remain operational between April 1, 2020 and June 30, 2020 and such other periods as may be notified by the Central Government.
- (h) The account shall be monitored and when there is suspicion of money laundering or financing of terrorism activities or other high risk scenarios, the identity of the customer shall be established as per Section 16.
- (i) Foreign remittance shall not be allowed to be credited into the account unless the identity of the customer is fully established as per Section 16.

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Secrecy Obligations and Sharing of Information:

The information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.

Note:

- Since, THE COMPANY is a Non- Deposit accepting NBFC, therefore, it does not accept deposits.
- THE COMPANY not being a bank is not liable to open a small account as specified in the directions.

Simplified procedure for opening accounts by Non-Banking Finance Companies (NBFCs):

In case a person who desires to open an account is not able to produce documents, as specified in Section 9, NBFCs may at their discretion open accounts subject to the following conditions:

- (a) The NBFC shall obtain a self-attested photograph from the customer.
- (b) The designated officer of the NBFC certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.
- (c) The account shall remain operational initially for a period of twelve months, within which CDD as per Section 9 shall be carried out.
- (d) Balances in all their accounts taken together shall not exceed rupees fifty thousand at any point of time.
- (e) The total credit in all the accounts taken together shall not exceed rupees one lakh in a year.
- (f) The customer shall be made aware that no further transactions will be permitted until the full KYC procedure is completed in case Directions (d) and (e) above are breached by him.
- g) The customer shall be notified when the balance reaches rupees forty thousand or the total credit in a year reaches rupees eighty thousand that appropriate documents for conducting the KYC must be submitted otherwise the operations in the account shall be stopped when the total balance in all the accounts taken together exceeds the limits prescribed in direction (d) and (e) above

KYC verification once done by one branch/office of the company will be valid for transfer of the account to any other branch/office, provided full KYC verification has already been done for the concerned account and the same is not due for periodic updation.

Part II - CDD Measures for Sole Proprietary Firms

For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out.

In addition to the above, any two of the following documents or the equivalent edocuments there of as a proof of business/ activity in the name of the proprietary firm shall also be obtained:

- i. Registration certificate including Udyam Registration Certificate (URC) issued by the Government
- ii. Certificate/licence issued by the municipal authorities under Shop and Establishment Act.
- iii. Sales and income tax returns.
- iv. CST/VAT/ GST certificate
- v. Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.

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- vi. IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT or Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
- vii. Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities. Utility bills such as electricity, water, landline telephone bills, etc.

In cases where the company are satisfied that it is not possible to furnish two such documents, company may, at their discretion, accept only one of those documents as proof of business/activity.

Provided company undertake contact point verification and collect such other information and clarification as would be required to establish the existence of such firm, and shall confirm and satisfy itself that the business activity has been verified from the address of the proprietary concern.

Part III - CDD Measures for Legal Entities

For opening an account of a company, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- (a) Certificate of incorporation
- (b) Memorandum and Articles of Association
- (c) Permanent Account Number of the company
- (d) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
- (e) Documents, as specified in Section 16, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf
- (f) the names of the relevant persons holding senior management position; and
- (g) the registered office and the principal place of its business, if it is different.

For opening an account of a partnership firm, the certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- (a) Registration certificate
- (b) Partnership deed
- (c) Permanent Account Number of the partnership firm and
- (d) Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf
- (e) the names of all the partners and
- (f) address of the registered office, and the principal place of its business, if it is different.

For opening an account of a trust, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- (a) Registration certificate
- (b) Trust deed
- (c) Permanent Account Number or Form No.60 of the trust
- (d) Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf
- (e) the names of the beneficiaries, trustees, settlor and authors of the trust
- (f) the address of the registered office of the trust; and
- (g) list of trustees and documents, as specified in Section 16, for those discharging the role as trustee and authorised to transact on behalf of the trust.

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For opening an account of an unincorporated association or a body of individuals, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- (a) Resolution of the managing body of such association or body of individuals
- (b) Permanent Account Number or Form No. 60 of the unincorporated association or a body of individuals
- (c) Power of attorney granted to transact on its behalf
- (d) Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf and
- (e) Such information as may be required by the company to collectively establish the legal existence of such an association or body of individuals.

Explanation: Unregistered trusts/partnership firms shall be included under the term ‘unincorporated association’.

Explanation: Term ‘body of individuals’ includes societies.

For opening accounts of juridical persons not specifically covered in the earlier part, such as societies, universities and local bodies like village panchayats, certified copies of the following documents or the equivalent e-documents thereof shall be obtained and verified:

- (a) Document showing name of the person authorised to act on behalf of the entity;
- (b) Documents, as specified in Section 9, PART 1. of the person holding an attorney to transact on its behalf and
- (c) Such documents as may be required by the company to establish the legal existence of such an entity/juridical person.

Part IV - 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 in terms of sub- 27 rule (3) of Rule 9 of the Rules 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 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

Part V - On-going Due Diligence

THE COMPANY will 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.

Without prejudice to the generality of factors that call for close monitoring following types of transactions shall necessarily be monitored:

- (a) Large and complex transactions and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.

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- (b) Transactions which exceed the thresholds prescribed for specific categories of accounts.
- (c) High account turnover inconsistent with the size of the balance maintained.
- (d) Deposit of third-party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

For ongoing due diligence, the company may consider adopting appropriate innovations including artificial intelligence and machine learning (AI & ML) technologies to support effective monitoring.

The extent of monitoring shall be aligned with the risk category of the customer as defined below: High risk accounts have to be subjected to more intensified monitoring.

- (a) A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.
- (b) The transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies shall be closely monitored.

Explanation:

Cases where a large number of cheque books are sought by the company and/or multiple small deposits (generally in cash) across the country in one bank account and/or where a large number of cheques are issued bearing similar amounts/dates, shall be immediately reported to Reserve Bank of India and other appropriate authorities such as FIU-IND

Designated Director:

- (a) A “Designated Director” means a person designated by the company to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the Rules and shall be nominated by the Board.
- (b) The name, designation and address of the Designated Director shall be communicated to the FIU-IND.
- (c) In no case, the Principal Officer will be nominated as the 'Designated Director'.

Principal Officer:

- (a) The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations.
- (b) The name, designation and address of the Principal Officer shall be communicated to the FIU-IND.

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Part VI - Enhanced and Simplified Due Diligence Procedure

A. Enhanced Due Diligence

Accounts of non-face-to-face customers (other than Aadhaar OTP based on-boarding):
THE COMPANY will ensure that the first payment is to be affected through the customer's KYC complied account with another RE, for enhanced due diligence of non-face to face customers.

Accounts of Politically Exposed Persons (PEPs)

THE COMPANY generally does not establish any relationship with PEPs but it shall have the option of establishing a relationship with PEPs provided that:

- (a) sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP;
- (b) the identity of the person shall have been verified before accepting the PEP as a customer;
- (c) the decision to open an account for a PEP is taken at a senior level in accordance with THE COMPANY's Customer Acceptance Policy;
- (d) all such accounts are subjected to enhanced monitoring on an on-going basis;
- (e) in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval is obtained to continue the business relationship;
- (f) the CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable

These instructions are also applicable to accounts where a PEP is the beneficial owner:

Client accounts opened by professional intermediaries:

THE COMPANY will ensure while opening client accounts through professional intermediaries, that:

- (a) Clients will be identified when client account is opened by a professional intermediary on behalf of a single client.
- (b) THE COMPANY will have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.
- (c) THE COMPANY will not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to THE COMPANY.
- (d) All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of the Company, and there are 'subaccounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of THE COMPANY, the Company will look for the beneficial owners.
- (e) THE COMPANY will, at its discretion, rely on the 'customer due diligence' (CDD) done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers.
- (f) The ultimate responsibility for knowing the customer lies with the THE COMPANY.

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B. Simplified Due Diligence

Simplified norms for Self Help Groups (SHGs):

- (a) CDD of all the members of SHG as per the CDD procedure mentioned in Section 15 of the MD shall not be required while opening the savings bank account of the SHG
- (b) CDD as per the CDD procedure mentioned in Section 15 of the MD of all the office bearers shall suffice.
- (c) Customer Due Diligence (CDD) of all the members of SHG may be undertaken at the time of credit linking of SHGs.

10. Customer Education

Implementation of KYC procedures requires the Company to demand certain information from customers which may be of a personal nature or which has hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. The Company will prepare specific literature/pamphlets etc. so as to educate the customer on the objectives of the KYC programme. The front desk staff needs to be specially trained to handle such situations while dealing with customers.

11. Record Management

The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provisions of PML Act and Rules.

THE COMPANY will,

- (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 business relationship, for at least five years after the business relationship is ended;
- (c) make available 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);
- (e) maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:
 - i. the nature of the transactions;
 - ii. the amount of the transaction and the currency in which it was denominated;
 - iii. the date on which the transaction was conducted; and
 - iv. the parties to the transaction.

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- (f) 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;
- (g) 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.

Explanation. – For the purpose of this Section, the expressions "records pertaining to the identification", "identification records", etc., shall include updated records of the identification data, account files, business correspondence and results of any analysis undertaken.

- 11A. Company will ensure that in case of customers who are non-profit organisations, the details of such customers are registered on the DARPAN Portal of NITI Aayog. If the same are not registered, Company will register the details on the DARPAN Portal & will also maintain such registration records for a period of five years after the business relationship between the customer and the Company has ended or the account has been closed, whichever is later.

12. Reporting Requirements to Financial Intelligence Unit - India

THE COMPANY will furnish to the Director, Financial Intelligence Unit-India (FIU-IND), information referred to in Rule 3 of the PML (Maintenance of Records) Rules, 2005 in terms of Rule 7 thereof. Explanation: In terms of Third Amendment Rules notified September 22, 2015 regarding amendment to sub rule 3 and 4 of rule 7, Director, FIU-IND shall have powers to issue guidelines to the company for detecting transactions referred to in various clauses of sub-rule (1) of rule 3, to direct them about the form of furnishing information and to specify the procedure and the manner of furnishing information.

The reporting formats and comprehensive reporting format guide prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist reporting entities in the preparation of prescribed reports shall be taken note of. The editable electronic utilities to file electronic Cash Transaction Reports (CTR) / Suspicious Transaction Reports (STR) which FIU-IND has placed on its website shall be made use of by company which are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data. The Principal Officers of THE COMPANY, whose all branches are not fully computerized, shall have suitable arrangement to cull out the transaction details from branches which are not yet computerized and to feed the data into an electronic file with the help of the editable electronic utilities of CTR/STR as have been made available by FIUIND on its website <http://fiuindia.gov.in>.

While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a misrepresented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation. THE COMPANY will not put any restriction on operations in the accounts where an STR has been filed. THE COMPANY will keep the fact of furnishing of STR strictly confidential. It shall be ensured that there is no tipping off to the customer at any level.

However, Robust software, throwing alerts when the transactions are inconsistent with risk categorization and updated profile of the customers shall be put in to use as a part of effective identification and reporting of suspicious transactions

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13. Requirements/obligations under International Agreements Communications from International Agencies

THE COMPANY will ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC). The details of the two lists are as under:

- (a) The “ISIL (Da’esh) & Al-Qaida Sanctions List”, which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & AlQaida Sanctions List is available at:

<https://scsanctions.un.org/ohz5jen-al-qaida.html>

- (b) The “1988 Sanctions List”, consisting of individuals (Section A of the consolidated list) and entities (Section B) associated with the Taliban which is available at:

<https://scsanctions.un.org/3ppp1en-taliban.html>

The company will also ensure to refer to the lists as available in the Schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as amended from time to time. The aforementioned lists, i.e., UNSC Sanctions Lists and lists as available in the Schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as amended from time to time, shall be verified on daily basis and any modifications to the lists in terms of additions, deletions or other changes shall be taken into account by the company for meticulous compliance.

Details of accounts resembling any of the individuals/entities in the lists shall be reported to FIU-IND apart from advising Ministry of Home Affairs as required under UAPA notification dated February 2, 2021 (Annex II of this Master Direction).

In addition to the above, other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time to time shall also be taken note of

Freezing of Assets under Section 51A of Unlawful Activities (Prevention) Act, 1967-

The procedure laid down in the UAPA Order dated February 02, 2021 (Annex II of Master Direction shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured. The list of Nodal Officers for UAPA is available on the website of Ministry of Home Affairs.

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14. Obligations under Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (WMD Act, 2005):

- (a) The company will ensure meticulous compliance with the “Procedure for Implementation of Section 12A of the Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005” laid down in terms of Section 12A of the WMD Act, 2005 vide Order dated January 30, 2023, by the Ministry of Finance, Government of India
- (b) In accordance with paragraph 3 of the aforementioned Order, The Company will ensure not to carry out transactions in case the particulars of the individual / entity match with the particulars in the designated list.
- (c) Further, The Company will run a check, on the given parameters, at the time of establishing a relation with a customer and on a periodic basis to verify whether individuals and entities in the designated list are holding any funds, financial asset, etc., in the form of bank account, etc.
- (d) In case of match in the above cases, The Company will immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the Central Nodal Officer (CNO), designated as the authority to exercise powers under Section 12A of the WMD Act, 2005. A copy of the communication shall be sent to State Nodal Officer, where the account / transaction is held and to the RBI. The Company will file an STR with FIUIND covering all transactions in the accounts, covered above, carried through or attempted. It may be noted that in terms of Paragraph 1 of the Order, Director, FIU-India has been designated as the CNO.
- (e) The Company will refer to the designated list, as amended from time to time, available on the portal of FIU-India.
- (f) In case there are reasons to believe beyond doubt that funds or assets held by a customer would fall under the purview of clause (a) or (b) of sub-section (2) of Section 12A of the WMD Act, 2005, The Company will prevent such individual/entity from conducting financial transactions, under intimation to the CNO by email, FAX and by post, without delay.
- (g) In case an order to freeze assets under Section 12A is received by the Company from the CNO, The Company will shall, without delay, take necessary action to comply with the Order.
- (h) The process of unfreezing of funds, etc., shall be observed as per paragraph 7 of the Order. Accordingly, copy of application received from an individual/entity regarding unfreezing shall be forwarded by the Company along with full details of the asset frozen, as given by the applicant, to the CNO by email, FAX and by post, within two working days.

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- (i) The company will verify every day, the ‘UNSCR 1718 Sanctions List of Designated Individuals and Entities’, as available at <https://www.mea.gov.in/Implementationof-UNSC-Sanctions-DPRK.htm>, to take into account any modifications to the list in terms of additions, deletions or other changes and also ensure compliance with the ‘Implementation of Security Council Resolution on Democratic People’s Republic of Korea Order, 2017’, as amended from time to time by the Central Government.
- (j) In addition to the above, the company will take into account – (a) other UNSCRs and (b) lists in the first schedule and the fourth schedule of UAPA, 1967 and any amendments to the same for compliance with the Government orders on implementation of Section 51A of the UAPA and Section 12A of the WMD Act.

Jurisdictions that do not or insufficiently apply the FATF Recommendations

- (a) FATF Statements circulated by Reserve Bank of India from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered. Risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement shall be taken into account.
- (b) Special attention shall be given to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF Statements. Explanation: The process referred to in Section 55 a & b do not preclude company from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statement.
- (c) The background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations shall be examined, and written findings together with all documents shall be retained and shall be made available to Reserve Bank/other relevant authorities, on request.

15. Other Instructions

A. Secrecy Obligations and Sharing of Information:

- (a) THE COMPANY will maintain secrecy regarding the customer information which arises out of the contractual relationship between the banker and customer.
- (b) Information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.
- (c) While considering the requests for data/information from Government and other agencies, banks shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in the banking transactions.

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- (d) The exceptions to the said rule shall be as under:
 - i. Where disclosure is under compulsion of law,
 - ii. Where there is a duty to the public to disclose,
 - iii. the interest of the company requires disclosure and
 - iv. Where the disclosure is made with the express or implied consent of the customer.
- (e) THE COMPANY will maintain confidentiality of information as provided in Section 45NB of RBI Act 1934.

B. CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR)

- (a) Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015.
- (b) In terms of provision of Rule 9(1A) of PML Rules, the company will capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.
- (c) Operational Guidelines for uploading the KYC data have been released by CERSAI.
- (d) The company will capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as per the KYC templates prepared for 'Individuals' and 'Legal Entities' (LEs), as the case may be. The templates may be revised from time to time, as may be required and released by CERSAI.
- (e) The 'live run' of the CKYCR started from July 15, 2016 in phased manner beginning with new 'individual accounts'. Accordingly, NBFCs were required to start uploading the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017, with CKYCR in terms of the provisions of the Rules *ibid*.
- (f) The company will upload KYC records pertaining to accounts of LEs opened on or after April 1, 2021, with CKYCR in terms of the provisions of the Rules *ibid*. The KYC records have to be uploaded as per the LE Template released by CERSAI.
- (g) Once KYC Identifier is generated by CKYCR, the company will ensure that the same is communicated to the individual/LE as the case may be.
- (h) In order to ensure that all KYC records are incrementally uploaded on to CKYCR, the company will upload/update the KYC data pertaining to accounts of individual customers and LEs opened prior to the above mentioned dates as per (e) and (f) respectively at the time of periodic updation as specified in Section 38 of the Master Direction, or earlier, when the updated KYC information is obtained/received from the customer.

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- (i) The company will ensure that during periodic updation, the customers are migrated to the current CDD standard.
- (j) Where a customer, for the purposes of establishing an account based relationship, submits a KYC Identifier to the company, with an explicit consent to download records from CKYCR, then the company will retrieve the KYC records online from the CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless –
 - I. there is a change in the information of the customer as existing in the records of CKYCR;
 - II. the current address of the customer is required to be verified;
 - III. the company considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.
 - IV. the validity period of documents downloaded from CKYCR has lapsed.

C. Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)

Under FATCA and CRS, THE COMPANY being a Reporting Financial Institution as defined in Income Tax Rule 114F and if so, shall take following steps for complying with the reporting requirements:

- (a) Register on the related e-filing portal of Income Tax Department as Reporting Financial Institutions at the link <https://incometaxindiaefiling.gov.in/> post login - -
> My Account --
> Register as Reporting Financial Institution,
- (b) Submit online reports by using the digital signature of the ‘Designated Director’ by either uploading the Form 61B or ‘NIL’ report, for which, the schema prepared by Central Board of Direct Taxes (CBDT) shall be referred to.
- (c) Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H.
- (d) Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules.
- (e) Constitute a “High Level Monitoring Committee” under the Designated Director or any other equivalent functionary to ensure compliance.
- (f) Ensure compliance with updated instructions/ rules/ guidance notes/ Press releases/ issued on the subject by Central Board of Direct Taxes (CBDT) from time to time and available on the web site <http://www.incometaxindia.gov.in/Pages/default.aspx>. company may take note of the following:
 - I. updated Guidance Note on FATCA and CRS
 - II. a press release on ‘Closure of Financial Accounts’ under Rule 114H

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D. Period for presenting payment instruments

Payment of cheques /drafts/pay orders/ banker’s cheques, if they are presented beyond the period of three months from the date of such instruments, shall not be made.

E. Collection of Account Payee Cheques

Account payee cheques for any person other than the payee constituent shall not be collected. Banks shall, at their option, collect account payee cheques drawn for an amount not exceeding rupees fifty thousand to the account of their customers who are co-operative credit societies, provided the payees of such cheques are the constituents of such co-operative credit societies.

- a. Unique Customer Identification Code (UCIC) shall be allotted while entering into new relationships with individual customers as also the existing individual customers by THE COMPANY.
- b. The Company will, at their option, not issue UCIC to all walk-in/occasional customers provided it is ensured that there is an adequate mechanism to identify such walk-in customers who have frequent transactions with them and ensure that they are allotted UCIC.

F. Introduction of New Technologies

Adequate attention shall be paid by THE COMPANY to any money-laundering and financing of terrorism threats that may arise from new or developing technologies and it shall be ensured that appropriate KYC procedures issued from time to time are duly applied before introducing new products/services/technologies

G. WIRE TRANSFER

A. Information requirements for wire transfers for the purpose of this Master Direction:

- i. All cross-border wire transfers shall be accompanied by accurate, complete, and meaningful originator and beneficiary information as mentioned below:
 - a. name of the originator;
 - b. the originator account number where such an account is used to process the transaction;
 - c. the originator’s address, or national identity number, or customer identification number, or date and place of birth;
 - d. name of the beneficiary; and
 - e. the beneficiary account number where such an account is used to process the transaction. In the absence of an account, a unique transaction reference number should be included which permits traceability of the transaction.
- ii. In case of batch transfer, where several individual cross-border wire transfers from a single originator are bundled in a batch file for transmission to beneficiaries, they (i.e., individual transfers) are exempted from the requirements of clause (i) above in respect of originator information, provided that they include the originator’s account number or unique transaction reference number, as mentioned above, and the batch file contains required and accurate originator information, and full beneficiary information, that is fully traceable within the beneficiary country.

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- iii. Domestic wire transfer, where the originator is an account holder of the ordering Company will be accompanied by originator and beneficiary information, as indicated for cross-border wire transfers in (i) and (ii) above.
- iv. Domestic wire transfers of rupees fifty thousand and above, where the originator is not an account holder of the ordering company, will also be accompanied by originator and beneficiary information as indicated for cross-border wire transfers.
- v. The company will ensure that all the information on the wire transfers shall be immediately made available to appropriate law enforcement and/or prosecutorial authorities as well as FIU- IND on receiving such requests with appropriate legal provisions.
- vi. The wire transfer instructions are not intended to cover the following types of payments:
 - a. Any transfer that flows from a transaction carried out using a credit card / debit card / Prepaid Payment Instrument (PPI), including through a token or any other similar reference string associated with the card / PPI, for the purchase of goods or services, so long as the credit or debit card number or PPI id or reference number accompanies all transfers flowing from the transaction. However, when a credit or debit card or PPI is used as a payment system to effect a person-to-person wire transfer, the wire transfer instructions shall apply to such transactions and the necessary information should be included in the message.
 - b. Financial institution-to-financial institution transfers and settlements, where both the originator person and the beneficiary person are regulated financial institutions acting on their own behalf.

It is, however, clarified that nothing within these instructions will impact the obligation of a RE to comply with applicable reporting requirements under PML Act, 2002, and the Rules made thereunder, or any other statutory requirement in force.

B. Responsibilities of ordering RE, intermediary RE and beneficiary RE, effecting wire transfer, are as under:

- i. Ordering RE:
 - a. The ordering RE shall ensure that all cross-border and qualifying domestic wire transfers {viz., transactions as per clauses (iii) and (iv) of paragraph ‘A’ above}, contain required and accurate originator information and required beneficiary information, as indicated above.
 - b. Customer Identification shall be made if a customer, who is not an account holder of the ordering RE, is intentionally structuring domestic wire transfers below rupees fifty thousand to avoid reporting or monitoring. In case of non-cooperation from the customer, efforts shall be made to establish identity and if the same transaction is found to be suspicious, STR may be filed with FIU-IND in accordance with the PML Rules.
 - c. Ordering RE shall not execute the wire transfer if it is not able to comply with the requirements stipulated in this section.

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ii. Intermediary RE:

- a.** RE processing an intermediary element of a chain of wire transfers shall ensure that all originator and beneficiary information accompanying a wire transfer is retained with the transfer.
- b.** Where technical limitations prevent the required originator or beneficiary information accompanying a cross-border wire transfer from remaining with a related domestic wire transfer, the intermediary RE shall keep a record, for at least five years, of all the information received from the ordering financial institution or another intermediary RE.
- c.** Intermediary RE shall take reasonable measures to identify cross-border wire transfers that lack required originator information or required beneficiary information. Such measures should be consistent with straight-through processing.
- d.** Intermediary RE shall have effective risk-based policies and procedures for determining:
(a) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) the appropriate follow-up action including seeking further information and if the transaction is found to be suspicious, reporting to FIU-IND in accordance with the PML Rules.

iii. Beneficiary RE

- a.** Beneficiary RE shall take reasonable measures, including post-event monitoring or real-time monitoring where feasible, to identify crossborder wire transfers and qualifying domestic wire transfers {viz., transactions as per clauses (iii) and (iv) of paragraph ‘A’ above}, that lack required originator information or required beneficiary information.
- b.** Beneficiary RE shall have effective risk-based policies and procedures for determining:
(a) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) the appropriate follow-up action follow-up action including seeking further information and if the transaction is found to be suspicious, reporting to FIU-IND in accordance with the PML Rules.

iv. Money Transfer Service Scheme (MTSS) providers are required to comply with all of the relevant requirements of this Section, whether they are providing services directly or through their agents. In the case of a MTSS provider that controls both the ordering and the beneficiary side of a wire transfer, the MTSS provider:

- a.** shall take into account all the information from both the ordering and beneficiary sides in order to determine whether an STR has to be filed; and
- b.** shall file an STR with FIU, in accordance with the PML Rules, if a transaction is found to be suspicious.

C. Other Obligations

i. Obligations in respect of company’s engagement or involvement with unregulated entities in the process of wire transfer

Whenever there is involvement of any unregulated entities in the process of wire transfers, the company will be fully responsible for information, reporting and other requirements and therefore shall ensure, inter alia, that

- a.** there is unhindered flow of complete wire transfer information, as mandated under these directions, from and through the unregulated entities involved;

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- b. the agreement / arrangement, if any, with such unregulated entities by THE COMPANY clearly stipulates the obligations under wire transfer instructions; and
 - c. a termination clause is available in their agreement / arrangement, if any, with such entities so that in case the unregulated entities are unable to support the wire information requirements, the agreement / arrangement can be terminated. Existing agreements / arrangements, if any, with such entities shall be reviewed within three months to ensure aforementioned requirements
- ii. The company’s responsibility while undertaking cross-border wire transfer with respect to name screening (such that they do not process cross-border transactions of designated persons and entities)

It is prohibited from conducting transactions with designated persons and entities and accordingly, in addition to compliance with Chapter IX of the Master Direction, The Company ensures that they do not process cross-border transactions of designated persons and entities.

- iii. THE COMPANY’s responsibility to fulfil record management requirements

Complete originator and beneficiary information relating to wire transfers shall be preserved by THE COMPANY, in accordance with Section 46 of the Master Direction.

D. Issue and Payment of Demand Drafts, etc.

Any remittance of funds by way of demand draft, mail/telegraphic transfer/NEFT/IMPS or any other mode and issue of travelers’ Cheques for value of rupees fifty thousand and above shall be effected by debit to the customer’s account or against Cheques and not against cash payment.

E. Quoting of PAN

Permanent account number (PAN) or equivalent e-document thereof of customers shall be obtained and verified while undertaking transactions as per the provisions of Income Tax Rule 114B applicable to banks, as amended from time to time. Form 60 shall be obtained from persons who do not have PAN or equivalent e-document thereof.

F. Selling Third party products

THE COMPANY does not sell any third-party products but if it does then it shall follow the extant guidelines

K. Hiring of Employees and Employee training

- (a) Adequate screening mechanism, including Know Your Employee / Staff policy as an integral part of their personnel recruitment/hiring process shall be put in place.
- (b) The company endeavour to ensure that the staff dealing with / being deployed for KYC/AML/CFT matters have: high integrity and ethical standards, good understanding of extant KYC/AML/CFT standards, effective communication skills and ability to keep up with the changing KYC/AML/CFT landscape, nationally and internationally. THE COMPANY also strive to develop an environment which fosters open communication and high integrity amongst the staff.

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- (c) On-going employee training programme shall be put in place so that the members of staff are adequately trained in AML/CFT policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in KYC/AML/CFT policies of the Company, regulation and related issues shall be ensured.

Annexure A - Indicative list for risk categorization

Low Risk Category

Individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, shall be categorised as low risk.

Illustrative examples are:

- (a) Salaried employees whose salary structure is well defined
- (b) People belonging to lower economic strata of the society whose accounts show small balances and low turnover
- (c) Government departments and Government owned companies
- (d) Statutory bodies & Regulators

Medium & High Risk Category

Customers that are likely to pose a higher than average risk may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc.

Illustrative examples of medium risk category customers are:

- (a) Non Resident customer
- (b) High Networth Individual
- (c) Trust, charities, NGO's and Organization receiving donations
- (d) Companies having close family shareholding or beneficial ownership
- (e) Firms with 'sleeping partners'

Illustrative examples of high risk category customers are:

- (a) Politically Exposed Persons (PEPs) of Indian/Foreign Origin
- (b) Non face to face customers
- (c) Those with dubious reputation as per public information available
- (d) Accounts of bullion dealers and jewellers.

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Annexure B- List of the nature and type of documents /information that may be relied upon for customer identification.

Category 1	Documents
Accounts of individuals	<ol style="list-style-type: none">1. A certified copy of one of the following 6 OVDs containing details of his/her identity and address:<ol style="list-style-type: none">i. Valid Passportii. Driving Licenceiii. Proof of possession of Aadhaar numberiv. Voter’s Identity Card issued by the Election Commission of Indiav. job card issued by NREGA duly signed by an officer of the State Governmentvi. Letter issued by the National Population Register containing details of name and address2. One recent photograph3. Permanent Account Number or Form 60 as defined in Income-tax Rules, 1962 A document identifying the nature of business or financial status of the individual – E.g. Income-tax return, etc. as may identify nature of business or financial status
Accounts of companies	<p>Certified copies of each of the following documents shall be obtained:</p> <ol style="list-style-type: none">1 Certificate of Incorporation2. Memorandum & Articles of Association3. Permanent Account Number4. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf5. Documents, as specified in Category I of the managers, officers or employees, as the case may be, holding an attorney to transact on the Company’s behalf.

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<p>-</p> <p>Accounts of partnership firms</p>	<p>Certified copies of each of the following documents shall be obtained</p> <ol style="list-style-type: none">1. Registration certificate2. Partnership deed3. Permanent Account Number4. Documents, as specified in Category I above of the person holding an attorney to transact on its behalf
<p>For Trust</p>	<p>Certified copies of each of the following documents shall be obtained</p> <ol style="list-style-type: none">1. Registration Certificate2. Trust Deed3. Permanent Account Number4. Documents, as specified in Category I above for the person holding an attorney to transact on its behalf
<p>For unincorporated association including unregistered trusts or unregistered partnerships firms or a body of individuals including Societies</p>	<p>Certified copies of each of the following documents shall be obtained:</p> <ol style="list-style-type: none">1. Resolution of the managing body of such association or body of individuals2. Permanent Account Number or Form No. 60 as defined in Income-tax Rules, 19623. Power of attorney granted to transact on its behalf4. Documents, as specified in Category I above of the person holding an attorney to transact on its behalf

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For Sole Proprietary Firms as customers

1. Documents of the individual (proprietor) as per category 1 above shall be obtained. It includes any one of the 6 OVDs, recent photograph, PAN and a document identifying the nature of business or financial status of the individual
2. Any two of the following documents as a proof of business/activity in the name of the proprietary firm shall also be obtained:
 - i. Registration certificate
 - ii. Certificate/licence issued by the municipal authorities under Shop and Establishment Act.
 - iii. Sales and income tax returns.
 - iv. CST/VAT/ GST certificate (provisional/final)
 - v. Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.
 - vi. IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT or Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
 - vii. Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities.
 - viii. Utility bills such as electricity, water, landline telephone bills, etc.

In cases where THE COMPANY is satisfied that it is not possible to furnish two such documents, they may, at their discretion, accept only one of those documents as proof of business/activity.

Provided THE COMPANY undertake contact point verification and collect such other information and clarification as would be required to establish the existence of such firm, and shall confirm and satisfy itself that the business activity has been verified from the address of the proprietary concern.