

KNOW YOUR CLIENT / ANTI-MONEY LAUNDERING / COMBATING THE FINANCING OF TERRORISM POLICY

of

True Beacon Investment Advisors LLP

Registered with the Securities and Exchange Board of India as a Portfolio Manager

with effect from 9th March 2022

Registration No. INP200007353

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1. Background

- 1.1. True Beacon Investment Advisors LLP ("**Portfolio Manager**" or "**we / us**") has been constituted under the Limited Liability Partnership Act, 2008 and registered with Securities and Exchange Board of India ("**SEBI**") as a portfolio manager under the SEBI (Portfolio Managers) Regulations, 2020 ("**PM Regulations**") with effect from 9 March 2022 bearing registration number INP200007353. The Portfolio Manager is a registered intermediary with SEBI.
- 1.2. The Portfolio Manager provides discretionary, non-discretionary and advisory portfolio management services ("**Portfolio Management Services**") to the clients who enter into PMS Agreements (*defined hereinbelow*) with the Portfolio Manager ("**Clients**").
- 1.3. Every intermediary associated with the securities market and registered under Section 12 of the SEBI Act, 1992 is required to adhere to Client account opening procedures and maintain records of such transactions as prescribed under the Prevention of Money Laundering Act, 2002 ("**PMLA**") and the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 ("**Rules**") formed thereunder.
- 1.4. SEBI vide its Master Circular – 'Guidelines on Anti-Money Laundering ("**AML**") Standards and Combating the Financing of Terrorism ("**CFT**") / Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under' ("**SEBI KYC Master Circular**"), dated July 04, 2018, has issued necessary directives related to Know Your Customer ("**KYC**") norms, AML, CFT and Client due diligence. The SEBI KYC Master Circular lays down the minimum requirements and has emphasised that the intermediaries may, according to their requirements, specify additional disclosures to be made by clients of the Portfolio Manager ("**Clients**") to address concerns of money laundering and suspicious transactions undertaken by the Clients.
- 1.5. The Portfolio Manager, in its capacity as the Portfolio Manager, has adopted this KYC, AML and **CFT** policy ("**Policy**") for ensuring compliances and reporting, as required in respect of Clients onboarded by the Portfolio Manager.

2. Objective of the policy

- 2.1 The objective of this Policy is to elaborate on the policies and procedures laid down to implement the AML provisions as envisaged under PMLA. The key objectives of this Policy includes:
 - (a) To prevent the Portfolio Manager from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities;
 - (b) To establish a framework for adopting appropriate KYC/AML/CFT processes, procedures and controls for client onboarding; and
 - (c) To ensure compliance with applicable laws and regulations in force from time to time.

3. Applicability

- 3.1. This Policy applies to all regular employees, contract employees, fixed term employees, including but not limited to partners/directors, committee members, officers, secondees, contractors, consultants, advisers, nominees and other representatives of Portfolio Manager and any other persons associated with the management and administration of the Portfolio Manager (collectively, "**Employees**").

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- 3.2. This Policy applies to all the Clients and their respective investee entities, any person or entity connected with a financial transaction which can pose significant reputational risk to the Portfolio Manager or the portfolio investments of the Clients.

4. Appointment of Key Personnel

- 4.1. The Portfolio Manager will appoint a 'Compliance Officer' for ensuring compliance with provisions of the PMLA. The Compliance Officer will be duly registered with the Financial Intelligence Unit of India ("FIU IND"). The Portfolio Manager will ensure that the names, designation and addresses (including email addresses) of the 'Compliance Officer' including any changes therein will be intimated to the Office of the Director-FIU IND.
- 4.2. The Compliance Officer will be responsible for the following:
- (a) Ensuring that the Portfolio Manager has established an appropriate KYC/AML/CFT framework and is discharging its legal obligations with respect to the same; and
 - (b) Monitoring the implementation of Client due diligence requirements as prescribed by SEBI from time to time.

5. Client due diligence

- 5.1. The Portfolio Manager will perform Client due diligence ("CDD") procedure when establishing relationship with the Clients. The CDD measures will comprise of Client Identification and Client Acceptance.

5.2. Client Identification Policy:

- (a) Each Relationship Manager is **responsible and accountable** for ensuring that the client is comprehensively "known" before the account is activated. This includes gaining a contextual understanding of the client's business, financial profile, and investment preferences.
- (b) The Portfolio Manager will obtain relevant information / documents to establish the identity of the Client as per the Onboarding SOP.
- (c) The Portfolio Manager will register itself with the Central KYC Records Registry ("CKYCR") and KYC Registration Agency ("KRA") as required by SEBI from time to time.
- (d) While establishing any relationship with the Client, the Portfolio Manager will download the Client details from the KRA system to verify its identity.
- (e) The Portfolio Manager will conduct verification of the Clients where considered necessary and ensure that the details are the same as that in the KYC form; conduct checks by subscribing to relevant databases for identified individuals.
- (f) The Portfolio Manager shall obtain sufficient information from the Clients including but not limited to ascertaining beneficial owner(s). A beneficial owner ("BO") means a natural person or persons who

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ultimately own, control or influence the Client and / or person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.

- (g) The Portfolio Manager relies on the **Custodian** for uploading the **KYC** details of new and existing Clients, as and when required to CKYCR or any KRA, in accordance with the PM Regulations.
- (h) The Portfolio Manager shall not onboard any Client unless the Client's KYC verification has been duly completed and In-Person Verification (IPV) has been conducted in accordance with applicable regulatory requirements. The **Custodian**, as part of the agreed Onboarding SOP, is responsible for carrying out the **In-Person Verification** of Clients.

5.3. Client Acceptance Policy:

The Portfolio Manager will target Clients such as Indian resident Clients and / or non-resident Clients including but not limited to Clients such as financial institutions, pension funds, family offices, estates, banks, insurance companies, high net worth individuals, NRIs, trusts, partnerships, limited liability partnerships, corporates, Hindu Undivided Families or any body corporate thereof and any other person permitted by the applicable laws.

- (a) The Portfolio Manager shall rely on the custodian to scan all Clients to ensure that there are no relationships linked to any of the entities or individuals included in the UN Sanctions list or any other internal list maintained by the Portfolio Manager (if any). Full details of resemblance with any of the individuals/entities in the list will immediately be intimated to SEBI and FIU-IND. The information will be enough to satisfy the regulatory authorities that due diligence was conducted by the Portfolio Manager in compliance with the applicable laws and regulations.
- (b) No relationship is established in cases where a Client or any associated individuals or entity name has been mentioned in the UN Sanctions list as circulated by SEBI from time to time. The custodian shall also undertake necessary checks before establishing a relationship so as to ensure that the identity of the Client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide.

5.4. Risk Management

The Portfolio Manager shall undertake risk profiling of the Client based on the information / documents collected to enable appropriate assessment of the risk categorization of the Client.

- (a) The risk assessment carried out will consider all the relevant risk factors before determining the level of overall risk. The assessment will be documented and made available to competent authorities and self-regulating bodies, as and when required.
- (b) Based on the risk categorization, the Portfolio Manager shall make / advice investment-related decisions in case of Discretionary and Advisory Portfolio Management services respectively.

The Portfolio Manager in collaboration with the Custodian shall conduct due diligence and scrutiny throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the

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Portfolio Manager's knowledge of the Client, its business and risk profile, taking into account, where necessary, the Client's source of funds.

6. Transaction monitoring and reporting

6.1. Transaction monitoring – for Discretionary Portfolio Management Services [and Execution of Investment Advice under Advisory Portfolio Management Services]

- (a) To ensure the legitimacy of funds and compliance with regulatory requirements, the Portfolio Manager has established a formal process, in collaboration with the Custodian, to verify the source of funds received from each Client at the time of funding. As part of this process, appropriate checks are in place to monitor investment transactions, verification of the **mode of payment**, and confirmation that the remitter account details match the Client's registered bank account. These measures are designed to ensure that all client contributions are received from legitimate, pre-verified sources, thereby mitigating the risk of suspicious or third-party funding.
- (b) The Portfolio Manager confirms that no associate entities or related parties are onboarded or permitted to deal as Clients through its Portfolio Management platform. This practice is adopted to eliminate any actual or perceived conflict of interest, and to ensure adherence to the principles of transparency, fairness, and regulatory integrity in client dealings.
- (c) The Portfolio Manager shall freeze funds or securities or economic resources related services only in severe circumstances – in case of death of the sole/first holder or any unforeseen events.
- (d) At the time of receiving any funding, the Custodian shall communicate any Suspicious Transaction Report (“**STR**”) to the Portfolio Manager, who will ensure that all the suspicious transactions are reported to the Compliance Officer who will report the to the Director FIU-IND.
- (e) Suspicious Transactions means a transaction, including an attempted transaction, whether or not made in cash, which to a person acting in good faith:
 - (i) gives rise to a reasonable ground of suspicion that it may involve the proceeds of an offence specified in the Schedule to the PMLA, regardless of the value involved; or
 - (ii) appears to be made in circumstances of unusual or unjustified complexity; or
 - (iii) appears to have no economic rationale or bona-fide purpose; or
 - (iv) gives rise a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.
- (f) Following is an illustrative list of suspicious transactions:
 - (i) Clients whose identity verification seems difficult or Clients that appear not to co-operate;
 - (ii) Asset management services for Clients where the source of the Portfolio Managers is not clear or not in keeping with Clients' apparent standing /business activity;
 - (iii) Clients based in high risk jurisdictions;
 - (iv) Substantial increases in business without apparent cause;
 - (v) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
 - (vi) Attempted transfer of investment proceeds to apparently unrelated third parties;

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It is important to note that the Portfolio Manager does not accept any client funding in the form of cash or demand drafts. All contributions from Clients are strictly required to be made through online banking channels (e.g., NEFT/RTGS/IMPS/Cheque or wire transfers). Each transaction is cross-verified in coordination with the Custodian, in accordance with the internal process established for validating the source and mode of funds.

Additionally, the Portfolio Manager shall undertake the periodic Re-KYC process for all Clients to ensure **CDD** is conducted in accordance with applicable regulations and that all client records are accurate, current, and duly updated.

7. Client Onboarding Process

7.1. For Resident individuals:

- (i) The Portfolio Manager has setup a digital onboarding process in collaboration with 1SilverBullet to undertake the same as per the Onboarding SOP.

7.2. For Body Corporates:

- (i) The Portfolio Manager follows the manual onboarding process for non-individuals as described in the Onboarding SOP.

7.3. For Non-Resident individuals:

- (i) The Portfolio Manager follows the manual onboarding process for Non-Resident individuals (**NRIs**) – who hold valid PAN / OCI card / Passport, irrespective of the structure;
- (ii) The Portfolio Manager shall not onboard clients who are residents of the United States of America or Canada, unless there exists a registered intermediary based in the respective jurisdiction who is duly authorized to represent the Portfolio Manager.

The Portfolio Manager ensures that the Custodian conducts PMLA checks at the time of Client onboarding. These checks include screening against applicable sanction lists, verifying the identity and beneficial ownership details, and ensuring that the Client is not associated with any prohibited or high-risk entities.

8. Review of the Policy

The Policy will be reviewed as and when required, in light of change in regulatory framework or for business or operational reasons. Such updates / changes to the Policy will be communicated to the relevant stakeholders on a periodic basis.