

TaS WASH and Waste Fund

A scheme under Zero Poverty Ventures India Funds
Category II Alternative Investment Fund

080-28436577

suresh@yunussb.com

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TaS WASH and Waste Fund PMLA & CFT POLICY

Version 1

Approved by the Board of Directors of Yunus Social Business Fund Bengaluru Private Limited (Investment Manager of TaS WASH and Waste Fund) on 06th February 2025



Registered Office: 103-106-107, Anjanapura Main Road,
Avalahalli, JP Nagar 9th Phase, Bengaluru- 560062 India


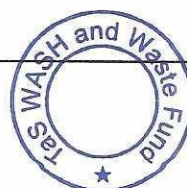
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1. OVERVIEW OF THE FUND

The TaS WASH and Waste Fund ('the Fund') is registered as a Category II Alternative Investment Fund ("AIF") with the Securities and Exchange Board of India ("SEBI") under Registration No: IN/AIF2/23-24/1377. The Fund is a scheme of **Zero Poverty Ventures India Funds**, established as a trust under the Indian Trusts Act, 1882, and governed by the SEBI (Alternative Investment Fund) Regulations, 2012 ("AIF Regulations").

The Fund is managed and sponsored by **Yunus Social Business Fund Bengaluru Private Limited** ("Sponsor" or "Investment Manager" or YSBFB"). **Axis Trustee Services Limited** serves as the Trustee. The Fund focuses on investing in Small and Medium Enterprises ("SMEs") in India's **WASH and Waste Sectors**, including drinking water, sanitation, hygiene, and solid waste management, with a mission to generate social and environmental impact alongside financial returns.

2. PURPOSE OF THE POLICY

- a) As an AIF registered with SEBI, the Fund is categorized as an 'intermediary' under the PMLA. In view of this, the Fund is mandated to adopt an Anti-Money Laundering (AML)/ Know Your Customer (KYC)/ Combating the Financing of Terrorism (CFT) framework and adhere to the key laws and regulations mentioned under Section 1.4 of this document. Under this regulatory framework, the general obligation to establish policies and procedures for prevention of money laundering (ML) and terrorist financing (TF), ensuring their effectiveness and ensuring compliance by the Fund with the regulatory framework is generally on the 'senior management' of the Fund. The related SEBI regulations cast the responsibility for compliance more specifically on the investment managers of the Fund.
- b) **Senior Management** for the purpose of KYC compliance shall include members of the executive leadership team responsible for strategic and operational oversight. Specifically, this includes the **CEO and Compliance Officer**. These individuals will oversee the effective implementation of KYC policies and ensure regulatory adherence.
- c) This policy prescribes the AML/ KYC/ CFT framework adopted by the Fund. The senior management of the Fund and its IM are responsible for effective implementation of this policy.
- d) The purpose of this policy is to provide guidance to all employees of the Fund and IM on the AML/ KYC/ CFT policies and procedures that should be followed for due diligence of Investors in the Fund and other clients of the Fund and monitoring of transactions undertaken by the Fund, in compliance with regulatory requirements. Effective implementation of the policy will help to protect the Fund from being used, intentionally or unintentionally, for ML and TF activities.

3. BACKGROUND OF AML/ KYC/ CFT LEGAL AND REGULATORY FRAMEWORK IN INDIA

- a) India became a member of the FINANCIAL ACTION TASK FORCE (FATF) in 2010 and the PMLA provides for provisions which are consistent with FATF 40 Recommendations and Nine Special Recommendations on TF and national AML/ CFT strategies.
- b) The PMLA prescribes certain obligations to be discharged by banking companies, financial institutions and intermediaries in relation to the verification and maintenance of records of the identities of all their Clients, and of transactions, and furnishing information to FIU-IND, as required from time to time by FIU-IND.
- c) **SEBI AML/CFT Framework for Funds:** As funds are regulated by the Securities and Exchange Board of India (SEBI), they must adhere to the SEBI AML/CFT Master Circular. Section 3 of this circular mandates that all registered entities, including Alternative Investment Funds (AIFs) and Venture Capital Funds (VCFs), establish internal procedures and have AML/KYC/CFT framework to effectively prevent and deter money laundering and terrorism financing.
- d) **KEY ASPECTS OF THE AML/KYC/CFT FRAMEWORK FOR FUNDS INCLUDE:**
 - i) **Establishing Clear Policies:** Issuing a formal statement outlining policies and procedures for combating money laundering and terrorism financing, aligning with current regulatory requirements.
 - ii) **Staff Awareness:** Ensuring all staff members thoroughly understand the established policies and procedures.
 - iii) **Regular Review:** Regularly reviewing and updating the AML/CFT policies and procedures to maintain their effectiveness.
 - iv) **Investor Acceptance Policies:** Developing investor acceptance policies and procedures that consider the risk of money laundering and terrorism financing.
 - v) **Investor Due Diligence:** Implementing robust investor due diligence measures based on factors such as investor type, business relationships, and transaction nature.
 - vi) **Suspicion Reporting:** Establishing a process for identifying, monitoring, and reporting suspected money laundering or terrorism financing activities to law enforcement authorities.
 - vii) **Record Maintenance:** Ensuring proper maintenance of records as outlined in this policy document and as prescribed by SEBI.



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4. AML AND CFT REGULATIONS APPLICABLE

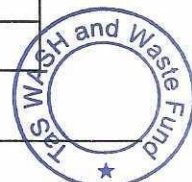
#	Regulations
1	The Prevention of Money Laundering Act 2002, and Amendments
2	The Prevention of Money Laundering Rules 2005, and Amendments
3	SEBI Circular on Operationalization of Central KYC Records Registry
4	SEBI Master Circular on AML/ CFT - Anti Money Laundering Standards/ Combating Financing of Terrorism / Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed thereunder and respective amendments. (SEBI AML/ CFT Master Circular)
5	Anti-Money Laundering/ Countering the Financing of Terrorism Obligations of Securities Market Intermediaries under the Prevention of Money-laundering Act, 2002 and Rules framed thereunder (Amendment to SEBI AML/ CFT Master Circular 2014)
6	SEBI Circular for Guidelines on Identification of Beneficial Ownership and related amendments
7	SEBI Alternative Investment Fund Regulations, 2012 (SEBI AIF Regulations)
8	SEBI Circular for Guidelines on disclosures, reporting and clarifications under SEBI AIF Regulations
9	SEBI KRA Regulations, 2011 and Amendments
10	Unlawful Activities Prevention Act, 1967 (UAPA)

5. GLOSSARY

Abbreviation	Full Form
AML	Anti-Money Laundering
CFT	Combating the Financing of Terrorism
AIF	Alternative Investment Fund
SEBI	Securities and Exchange Board of India
KYC	Know Your Customer
KRA	KYC Registration Agency
CDD	Client Due Diligence
CKYCR	Central KYC Records

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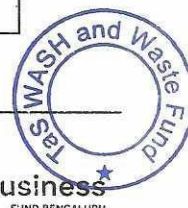
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PEP	Politically Exposed Person
FATF	Financial Action Task Force
IIP	Investor Identification Policy
IM	Investment Manager
ML	Money Laundering
TF	Terrorist Financing
PAN	Permanent Account Number
OFAC	Office of Foreign Assets and Control
EU	European Union
NGO	Non-Government Organization
MHA	Ministry of Home Affairs
PMLA	Prevention of Money Laundering Act, 2002
PMLA Rules	Prevention of Money Laundering (Maintenance of Records) Rules, 2005
STR	Suspicious Transaction Report
FIU-IND	Financial Intelligence Unit, India
CERTIFIED TRUE COPY	Document certified as true copy of the original document by an independent third party notary, lawyer, accountant or other person holding a recognized professional qualification, a member of the judiciary or a senior civil servant. The certifier should sign the copy document and clearly indicate the certifier's name, address and position or capacity on it together with contact details to aid tracing of the certifier.
CERSAI	Central Registry of Securitisation Asset Reconstruction and Security Interest of India
UAPA	Unlawful Activities Prevention Act, 1967
UIDAI	Unique Identification Authority of India
CLIENT	Entities/ persons, including Investors that are counterparties to material transactions to which a Fund is a party in the course of its business.
INVESTOR	Person or entity that invests in a Fund, i.e., undertakes capital commitment under a legally binding agreement; and/or person on whose behalf an investment is being conducted. In case a professional intermediary, i.e., a person such as a chartered accountant, lawyer etc. or any similar entity such as an investment manager, is acting on behalf of the Investor under a power of attorney, then such professional intermediary will also be considered an Investor.

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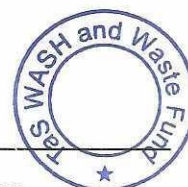
BENEFICIAL OWNER	Natural person(s) who ultimately own, control or influence a Client. It also includes those persons who exercise ultimate effective control over a Client. Please refer to Annexure 10.2 for details.
POLITICALLY EXPOSED¹ PERSONS	Individuals who are or who have been entrusted with prominent public functions (for example, Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations and important political party officials). The Fund will also consider family members or close associates of PEPs as PEPs.
SUSPICIOUS TRANSACTIONS	<p>A transaction, including an attempted transaction, whether or not made electronically or in cash, which to a person acting in good faith -</p> <ul style="list-style-type: none">• gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in Parts A or C of the Schedule to the PMLA² regardless of the value involved; or• appears to be made in circumstances of unusual or unjustified complexities; or• appears to have no economic rationale or bona fide purpose; or• gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.
PRINCIPAL OFFICER	Please refer to Section 7(b) of this policy document for details.
DESIGNATED DIRECTOR	Please refer to Section 7(c) of this policy document for details.

6. AML/KYC/CFT GOVERNANCE FRAMEWORK

To ensure effective AML/CFT compliance, the Fund will adopt a robust three-lines-of-defense model:

¹ The definition adopted for PEPs under Indian regulations includes only foreign PEPs. However since global entities have adopted a wider definition including both domestic as well as foreign PEPs, the Fund will adopt the latter, complying with the stricter approach.

² Such parts to the schedule of PMLA can be referred to at http://www.fiuidia.gov.in/files/AML_Legislation/scheduled_offences/part_a.html



a) FIRST LINE OF DEFENCE:

The Fundraising Team is responsible for initial investor interactions, collecting necessary documents, and forwarding complete files to the compliance team.

b) SECOND LINE OF DEFENCE:

- i) The Principal Officer leads this line.
- ii) Conducts thorough due diligence on potential investors based on information provided by the Fundraising Team.
- iii) May request additional information from the Fundraising Team.
- iv) Approves or rejects applications, ensuring compliance with all policies and procedures.
- v) Reviews investor relationships throughout their lifecycle.
- vi) Reports suspicious activities to the Designated Director and/or regulatory authorities (FIU-IND, SEBI).

c) THIRD LINE OF DEFENCE:

- i) The internal audit function will conduct regular and independent audits to assess the effectiveness of the AML/CFT framework.
- ii) Audit findings will be reviewed by senior management and appropriate corrective actions implemented.

7. INTERNAL CONTROLS AND KEY APPOINTMENTS**a) INTERNAL CONTROLS**

To effectively implement this policy, the Fund/Investment Manager (IM) will establish strong internal controls. This includes appointing qualified staff with AML/KYC/CFT expertise. These appointees will be responsible for ensuring this policy and relevant SEBI guidelines are followed in practice. Key positions include the Designated Director and Principal Officer.

b) APPOINTMENT OF PRINCIPAL OFFICER

The Fund/IM will appoint a senior staff member as the Principal Officer. This individual will be responsible for overseeing the Fund/IM's compliance with AML/KYC/CFT regulations. They will have a deep understanding of these regulations and will be responsible for developing and implementing the Fund/IM's AML/KYC/CFT policies and procedures.

Responsibilities:

- i) **Identify and Assess Suspicious Transactions:** The Principal Officer will be responsible for identifying and assessing potential suspicious transactions. This includes reviewing investor data, transaction records, and other relevant information. The Principal Officer will have the authority to decide whether a transaction is suspicious.
- ii) **Report Suspicious Transactions:**
 - a. If the Principal Officer identifies a suspicious transaction, they must report it to the Designated Director and Senior Management.
 - b. The report should include details about the investor, the transaction, and any supporting documents that raise suspicion.
 - c. The Principal Officer must also submit a Suspicious Transaction Report (STR) to the Financial Intelligence Unit-India (FIU-IND) within 7 days of confirming the suspicion.
- iii) **Maintain AML/CFT Policies and Procedures**
 - a. The Principal Officer must ensure that the Fund/IM has a written AML/KYC/CFT policy that complies with all applicable regulations.
 - b. The policy must be updated annually to reflect any changes in regulations.
 - c. The Principal Officer is responsible for implementing the AML/CFT policy in the Fund/IM's daily operations.

c) APPOINTMENT OF DESIGNATED DIRECTOR

SEBI recommends appointing a Designated Director to oversee AML/KYC/CFT compliance. This person will be designated by the IM and will be responsible for ensuring that the Fund/IM complies with all applicable AML/KYC/CFT laws and regulations. The Designated Director will have a deep understanding of these regulations and will be responsible for developing and implementing the Fund/IM's AML/KYC/CFT policies and procedures.

Responsibilities:

- iii) Ensure AML/KYC/CFT compliance discussions at the senior management level.
- iv) Inform senior management of reported suspicious transactions, ongoing investigations, or regulatory inquiries.
- v) Act as the main point of contact with FIU-IND for regulatory investigations.
- vi) The Principal Officer will handle communication with SEBI/FIU-IND/other regulators for operational purposes.

8. CLIENT DUE DILIGENCE (CDD)



a) POLICY FOR ACCEPTANCE OF INVESTORS

The Fund/Investment Manager (IM) will follow these safeguards to determine the acceptance of an investor:

- i) **Comprehensive Information Collection:** During onboarding, complete details about the investor and their beneficial owners will be obtained, including KYC information, business activities, profession, and jurisdiction.
- ii) **No Anonymous or Fictitious Investors:** Investors will not be accepted anonymously or under false names (e.g., benami accounts).
- iii) **Due Diligence Non-Negotiable:** If the required due diligence cannot be conducted due to incomplete or unverifiable information, the investor will not be onboarded.
- iv) **Screening Against Sanction Lists:** Investors and their beneficial owners will be screened against sanction lists issued by the United Nations, Office of Foreign Assets Control (OFAC), European Union (EU), and other relevant regulators. Investors appearing on these lists or flagged by SEBI/FIU-IND will not be accepted. (Refer to Annexure 10.7 for details.)

b) CLIENT DUE DILIGENCE MEASURES FOR INVESTORS

The Fund/IM will conduct appropriate CDD to identify and verify the identities of investors and their beneficial owners. This process is critical to prevent money laundering (ML) and terrorist financing (TF). Key measures include:

- i) **Information Collection:** Obtain all necessary information to ascertain the identity of the investor and beneficial owners.
- ii) **Verification:** Verify the investor's identity using reliable and independent documents, data, or information as outlined in Section 3.3.1.
- iii) **Ongoing Monitoring:** Continuously monitor transactions to ensure they align with the investor's known business activities and the source of funds identified during the CDD process.
- iv) **Periodic Updates:** Regularly update KYC and CDD information as specified in Section 3.3.3.

c) PROCEDURE FOR IDENTIFYING AND VERIFYING THE IDENTITY OF THE INVESTORS

- i) **Key Requirement:** Establishing and verifying the true identity of each investor and beneficial owner is fundamental to an effective AML system. The Fund/IM will use prescribed documents and information based on the investor's nature and transactions.

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- ii) **Building Confidence in Identity:** The Principal Officer must form a reasonable belief about the identity of the investor and beneficial owners through a thorough process.
- iii) **Verification Methods:** Investor details will be verified against independent databases such as UIDAI (Aadhaar) or NSDL (PAN). Certified True Copies of KYC documents will also be accepted.
- iv) **Case-by-Case Assessment:** Principal Officer may request additional documentation or checks based on specific investor circumstances.

d) COMPLIANCE WITH COMBATING THE FINANCING OF TERRORISM NORMS

The Fund/IM will screen all investors, beneficial owners, and authorized signatories against sanction lists issued by bodies like the United Nations Security Council Resolutions (UNSCRs), OFAC, and EU. If investors are based in jurisdictions covered by these lists, additional scrutiny will be applied.

i) Economic and Financial Sanctions List for Screening Investors

- a. United Nations' Security Council Resolutions (UNSCRs) https://www.un.org/sc/suborg/en/sanctions/1267/aq_sanctions_list.
- b. "Al-Qaida Sanctions List", which is maintained by the 1267 / 1989 Committee. The Updated Al-Qaida Sanctions List is available at https://www.un.org/sc/suborg/en/sanctions/1267/aq_sanctions_list
- c. "1988 Sanctions List", which is maintained by the 1988 Committee. The Updated 1988 Sanctions list is available at <https://www.un.org/sc/suborg/en/sanctions/1988/materials>
- d. OFAC- <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/consolidated.aspx>
- e. EU- https://eeas.europa.eu/topics/sanctions-policy/8442/consolidated-list-of-sanctions_en

ii) List of Jurisdictions with AML/ CFT deficiencies

The list of jurisdictions with weak AML/ CFT regime changes frequently based on review performed by FATF and would require ongoing updates as and when regulatory updates are made available by FATF.

[http://www.fatfgafi.org/publications/highriskandnoncooperativejurisdictions/?hf=10&b=0&s=desc\(fatf_releasedate\)](http://www.fatfgafi.org/publications/highriskandnoncooperativejurisdictions/?hf=10&b=0&s=desc(fatf_releasedate))

e) COMPLIANCE WITH UAPA



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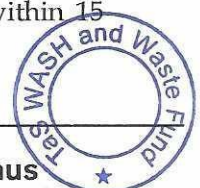
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The Unlawful Activities (Prevention) Act (UAPA) empowers the Government to freeze or seize funds and assets of individuals and entities associated with terrorism. SEBI mandates that all Funds/Investment Managers (IMs) implement measures to comply with UAPA requirements.

To comply with UAPA, the Fund/IM will:

- i) **Maintain Updated Lists:** Maintain and regularly update electronic lists of individuals and entities designated by the Government as being involved in terrorism.
- ii) **Conduct Regular Screening:** Conduct regular checks of all investor details against these designated lists.
- iii) **Identify and Report Matches:** In case the particulars of any Investor match with the particulars of designated individuals/ entities, the Fund/ IM will:
 - a. Immediately, or within 24 hours from the time of finding out such Investor, inform the Joint Secretary (IS.I), Ministry of Home Affairs (by fax, telephone, post and email).
 - b. Send by post a copy of the communication as mentioned above through e-mail (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Officer in Special Duty, Integrated Surveillance Department, Securities and Exchange Board of India, SEBI Bhavan, Plot No C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051, as well as UAPA nodal officer of the state/ UT where the account is held as the case may be and to FIU-India.
 - c. Where the match of any Investor with the particulars of designated individuals/ entities is beyond doubt, the Fund/ IM will prevent designated persons from conducting financial transactions, and provide intimation to Joint Secretary (IS.I), Ministry of Home Affairs at Fax No. 011-23092569 and also convey over phone on 011-23092736. Such details will also be sent by post and email at jsis@nic.in.
- iv) **Submit an STR to FIU-IND for the same.**
- v) **Freezing of Financial Assets**
 - a. The MHA will verify the information and may freeze the account within 5 working days.
 - b. The order to freeze assets will be issued without prior notice to the designated individual/entity.
- vi) **unfreezing of financial assets (where the Investor may submit a request to the Fund/IM)**
 - a. Investors can request a review of frozen assets by submitting a written application to the Fund/IM, including evidence to support their claim.
 - b. The Fund/IM will forward the application to the MHA within two business days.
 - c. The MHA will review the application and decide on unfreezing within 15 working days.



f) PERIODIC REVIEW OF KYC AND CDD RECORDS

- i) **Updating Investor Profiles:** Investor and beneficial owner profiles will be periodically reviewed and updated based on risk categorization. High-risk investors will be reviewed annually, medium-risk investors every two years, and low-risk investors when specific triggers arise (e.g., suspicious activity).
- ii) **Additional Screening:** The Principal Officer may require more frequent screening based on a detailed risk assessment.
- iii) **Reporting Non-Compliance:** Any non-compliance with regulations or policy requirements will be reported annually to senior management.

g) THIRD PARTY FOR CDD

- i) **KYC Registration Agencies (KRAs):** SEBI has established KRAs to maintain uniformity in KYC records and reduce the documentation burden on investors. KRAs are responsible for:
 - ii) Storing and safeguarding KYC documents.
 - iii) Retrieving records as required within the stipulated time.
 - iv) Sharing updated investor information with intermediaries availing KRA services.
 - v) **Responsibility:** While the Fund/IM may rely on KRA data for investor onboarding, the ultimate responsibility for completing CDD and ensuring its accuracy lies with the Fund/IM.
- vi) **Other Third Parties:** If the Fund/IM engages other entities for KYC, they must adhere to the same policy standards.

h) LIMITED DUE DILIGENCE FOR CLIENTS

- i) **Nature of Clients:** In certain cases, the Fund/IM may interact with clients who are not investors, such as entities involved in investment transactions. These relationships can expose the Fund to ML/TF risks.
- ii) **Scope of Due Diligence:** Limited due diligence will be conducted based on factors such as the client's identity, geographical presence, and business nature. The Principal Officer will determine the extent of due diligence on a case-by-case basis.
- iii) **Procedure:** This due diligence will align with the KYC Table and other relevant provisions in this policy.

9. RISK ASSESSMENT

Risk assessment is a vital component of the Anti-Money Laundering (AML), Know Your Customer (KYC), and Combating the Financing of Terrorism (CFT) framework. It involves evaluating the risk levels associated with investors to determine the appropriate due diligence measures.

a) INVESTOR RISK CATEGORIZATION

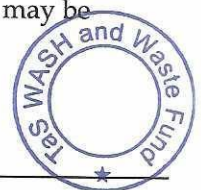
Investors are classified into three risk categories: low, medium, and high, based on an initial risk assessment. In certain cases, investors categorized as "Special" may warrant a higher risk designation, requiring more stringent due diligence and frequent updates to their KYC profile. The key factors considered in assessing investor risk include, but are not limited to:

- i) **Nature and Type of Investor:** The investor's legal form, business structure, and level of transparency in operations.
- ii) **Commercial Rationale:** The purpose and business justification for establishing the relationship.
- iii) **Geographical Location:** The investor's place of residence or business operations, particularly focusing on countries with weak AML regimes.
- iv) **Location of Business Interests:** Jurisdictions where the investor holds business interests or assets.
- v) **Nature and Value of Assets:** The type and estimated value of assets involved in the relationship.
- vi) **Source of Funds and Wealth:** Verification of the investor's income and wealth sources to ensure legitimacy.
- vii) **Jurisdictional Risks:** The presence of the investor in high-risk or FATF-designated jurisdictions with inadequate AML/CFT frameworks. (Refer to Annexure 10.8 for a list of such jurisdictions.)

b) ENHANCED DUE DILIGENCE FOR HIGH-RISK INVESTORS

High-risk investors, such as non-residents, high-net-worth individuals, or those involved in complex financial arrangements, require enhanced due diligence (EDD). This process involves:

- i) **Comprehensive Verification:** Collecting additional documentation to confirm the investor's identity and source of funds.
- ii) **Frequent Monitoring:** Regular scrutiny of transactions to detect unusual patterns.
- iii) **Periodic Updates:** More frequent updates to the KYC profile to reflect any changes in the investor's status or activities.
- iv) **Illustrative list of High Risk Investors:** an indicative list of Investors which may be treated as 'high-risk' is as follows:
 - a. Charities, NGOs and organizations receiving donations;



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- b. Companies having close family shareholdings or Beneficial Ownership;
- c. PEPs;
- d. Investors in high-risk countries where existence or effectiveness of action against money laundering or terror financing is suspect;
- e. Non face to face investors
- f. Investors with dubious reputation as per public information available

Investors falling under the "Special" category, as detailed in Annexure 10.3, will also undergo EDD to mitigate potential risks.

10. ON-GOING TRANSACTION MONITORING AND REPORTING

a) ON-GOING TRANSACTION MONITORING

Transaction monitoring is a crucial component of the AML/KYC/CFT framework. It ensures that all transactions remain consistent with the information provided during the client onboarding process and helps identify any irregularities that may indicate potential money laundering (ML) or terrorist financing (TF).

i) Monitoring Relationships and Transactions:

- a. After establishing a relationship with an investor and completing identification procedures, the Fund/Investment Manager (IM) will monitor all transactions to ensure they align with the investor's profile and declared business purpose
- b. The Fund/IM will monitor transactions to detect and prevent potential ML or TF activities. This may require additional due diligence from investors.
- c. List of key transactions:
 - i. Drawdown from or distribution to the Investor.
 - ii. Distribution of Units or other securities.
 - iii. Transfer of units by the Investors (includes Merger, Transposition etc.).
 - iv. Change in bank accounts, emails, phone numbers, residential status, KYC, domicile, nationality.

ii) Key Monitoring Factors:

- a. **Complex Transactions:** Special attention will be paid to unusually large or complex transactions with no apparent economic or lawful purpose.



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- b. **Suspicious Transactions:** Any suspicious activity will be reported to the Principal Officer and the Designated Director through a detailed report highlighting relevant transactions and concerns.
- c. **Continuation of Normal Transactions:** Suspicious transactions will continue as normal unless specific directions are issued by regulatory authorities.

b) RECOGNIZING SUSPICIOUS TRANSACTION AND ACTIVITY

- i) **Identifying Unusual Activities:** Transactions that deviate from the expected pattern of an investor's business may indicate ML or TF activity. This includes activities with no visible lawful or economic purpose.
- ii) **Role of Employees:** Employees are expected to recognize unusual activities through effective due diligence. Suspicion may arise from internal records, media reports, intermediaries, or the investor's behavior.
- iii) **Guidance on Suspicious Activities:** Employees must carefully analyze transactions to determine if they are suspicious.
- iv) **Examples of Suspicious Activity**
 - a. Investors whose identity verification seems difficult or where the Investor does not cooperate;
 - b. Investors in high-risk jurisdictions or Investors introduced by banks or affiliates or other Investors based in high-risk jurisdictions;
 - c. Substantial increases in business without apparent cause;
 - d. Unusually large cash deposits made by an individual or business;
 - e. Investors transferring large sums of money to or from overseas locations with instructions for payment in cash;
 - f. Transfer of investment proceeds to apparently unrelated third parties;
 - g. Unusual transactions by Investors and businesses undertaken by shell corporations, offshore banks/ financial services, businesses reported to be in the nature of export-import of small items.

c) OBLIGATION TO REPORT**i) Employee Reporting Obligations:**

All relevant employees must know:

- a. Whom to report suspicious activities to.
- b. The format for reporting suspicions.

ii) Principal Officer's Responsibilities:

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- a. Review all suspicious transaction reports (STRs).
- b. Document reasons if a decision is made not to report a transaction.
- c. Ensure that each suspicion, regardless of the amount involved, is evaluated.

iii) **Escalation:** Any suspicious activity will be reported to the Designated Director, Senior Management, and FIU-IND.

d) REPORTING TO FIU-IND

- i) **Suspicious Transaction Reports (STRs):** The Fund/IM will submit STRs to FIU-IND within seven days of confirming suspicion. The reasons for treating transactions as suspicious will be documented. Reports must be submitted electronically via FIU-IND Portal.
- ii) **Abandoned Transactions:** If a transaction is abandoned or aborted due to additional scrutiny, the details will still be reported to the Principal Officer and Senior Management if deemed suspicious.

e) TIPPING-OFF

- i) **Confidentiality of Reports:** The Fund/IM will not inform investors or third parties that an STR has been filed. This ensures compliance with anti-tipping-off provisions.
- ii) **Operational Continuity:** Transactions and relationships will continue as usual until directed otherwise by regulatory authorities.
- iii) **Prohibition on Disclosure:** Employees are strictly prohibited from disclosing that a transaction or activity has been reported or is under investigation by FIU-IND.

11. TRAINING OF EMPLOYEES

a) Training on AML and CFT

- i) The Fund/IM will implement a training program to keep all staff informed about AML/CFT regulations, as per SEBI requirements.
- ii) Employees in key positions (Investor onboarding, relationship management, compliance) will receive regular training in AML/CFT measures.
- iii) Training frequency will be determined based on risk. Compliance team members will require more frequent training.
- iv) All key personnel will receive at least one training session per year.



b) EMPLOYEE TRAINING

- i) All employees will receive AML/KYC/CFT training tailored to their roles and responsibilities.
- ii) The Principal Officer, Designated Director, and their teams will receive in-depth training on:
 - a. Recognizing and handling suspicious transactions.
 - b. Liaising with law enforcement agencies.
 - c. Managing the risk of tipping off.
- iii) These personnel will also study FATF reports on money laundering typologies and countries identified by FATF as having AML/CFT deficiencies.

c) SCREENING AND HIRING OF EMPLOYEES

- i) The Fund/IM will have robust screening procedures for all new hires.
- ii) Screening measures may include:
 - a. Obtaining and verifying references.
 - b. Confirming employment history and qualifications.

12. RECORD KEEPING**a) GENERAL REQUIREMENTS**

The Fund/IM shall comply with record-keeping provisions under the SEBI AML/CFT Master Circular and applicable rules. Adequate records will be maintained to reconstruct individual transactions, including amounts and currency details, to provide evidence if required for investigations or prosecution of criminal activities.

b) RECORDS PERTAINING TO CDD FOR INVESTORS

As mandated by Rule 10 of the Prevention of Money Laundering (Maintenance of Records) Rules (PML Rules), the Fund/IM will maintain comprehensive records of all investor-related documentation used for identity verification. These records must be retained for the duration of the investor relationship and an additional stipulated period thereafter. The retained documents will include:

- i) **Identification Records:** Copies of all identification documents used to verify the identities of investors, beneficial owners, and any underlying principals.
- ii) **Investor Files and Correspondence:** Copies of investor files, account files, and business correspondence related to the investor relationship.

- iii) **Accessibility Information:** Details regarding the location of all stored identification data and other relevant files.

c) **INVESTOR TRANSACTION RECORDS**

To comply with Rule 3 of the PML Rules, the Fund/IM will maintain detailed transaction records to ensure a clear audit trail for investor accounts. This includes:

- i) **Key Details:**
- Information on the beneficial owner of the account.
 - The volume of funds processed through the account.
 - The date and nature of each transaction.
- ii) **Additional Information for Specific Transactions:**
- The origin of the funds.
 - The method of transfer (e.g., wire transfers, bank transfers).
 - The identity of the person executing the transaction.
 - The destination of the funds.
 - The form of instruction and authority used for the transaction.

d) **PERIOD FOR RETENTION OF RECORDS**

To comply with regulatory requirements, records will be retained for specific durations, as outlined below:

- Transaction Records:** Shall be retained for five years from the date of termination of the business relationship with the investor.
- Identity Records:** Shall be maintained for five years from the date of termination of the investor relationship. This includes identification documents and business correspondence.
- Suspicious Transaction Records (STR):** Records related to transactions under investigation or reported as suspicious will be maintained until the case is formally closed.
- Electronic Maintenance:** All records will be stored electronically to ensure accessibility, security, and compliance with regulatory standards.

13. KEY REGISTRATIONS

The Funds will obtain the following key registrations to ensure compliance with the prescribed regulatory framework:

a) **KRA**

The Fund will ensure that they register themselves with a registered KRA entity for performing CDD under the provisions of this policy. A list of SEBI-registered KRAs can be accessed at https://www.sebi.gov.in/sebi_data/attachdocs/1342781956280.pdf. This

registration will be performed at the time of initiation/ commencement of business of a Fund.

b) FIU-IND

As per the SEBI AML/ CFT Master Circular and provisions of PMLA/PML Rules, all Funds will be required to perform the following registrations at the time of commencement of business:

- i) **Reporting Entity** - the Fund entity will have to be registered with FIU-IND
- ii) **Principal Officer** - details of the Principal Officer will have to be registered with FIU-IND at the time of appointment and for every subsequent change
- iii) **Designated Director** - details of the Designated Director will have to be registered with FIU-IND at the time of appointment and for every subsequent change.

These registrations will be performed at <https://finnet.gov.in/>. Any subsequent changes to the same shall be communicated at the following email addresses: ctrcll@fiuindia.gov.in and helpdesk@fiuindia.gov.in.

c) CKYCR

CKYCR is a centralized repository for all KYC documents collected by all regulated entities. In accordance with the SEBI mandate for performing such registration, each Fund will register with CERSAI at the time of commencement of business. The registration will be performed at <http://www.testbed.ckycindia.in/ckyc/index.php>.

14. AUDIT

a) INTERNAL AUDIT FUNCTION

YSBFB recognizes the critical role of a robust internal audit function in ensuring effective AML/CFT compliance. The internal audit function will be independent of the business units and will report directly to Managing Director.

b) SCOPE OF AUDIT

An independent audit function (Internal Audit or Compliance) will regularly assess the effectiveness of the AML/CFT program. This includes:

- i) **Policy and Control Compliance:** Reviewing adherence to AML/CFT policies, procedures, and controls.
- ii) **Transaction Monitoring:** Testing the effectiveness of the transaction monitoring system, including alert generation and parameter review.
- iii) **Exception Reporting:** Evaluating the adequacy of exception reports for large/irregular transactions and related investigations.
- iv) **STR Quality:** Assessing the timeliness, completeness, and quality of Suspicious Transaction Reports (STRs).

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- v) **Staff Awareness:** Evaluating staff understanding of AML/CFT responsibilities through training program reviews and staff interviews.

c) **AUDIT REPORTING**

The internal audit function will prepare comprehensive audit reports documenting the findings of each audit. These reports will be presented to senior management and the Board of Directors.

d) **RESOURCES AND INDEPENDENCE**

The internal audit function will be adequately resourced with qualified and experienced personnel to effectively carry out its responsibilities. The audit function will operate independently from the business units to ensure objectivity and impartiality.

15. REVIEW OF POLICY

This policy document will be reviewed annually and put up to the senior management for approval. The appendix adopted by each Fund setting out the governance framework of this policy shall be updated from time to time by the Principal Officer to reflect any factual changes.

