

CRESCENT FINSTOCK LIMITED
MEMBER OF BOMBAY STOCK EXCHANGE
CLEARING NO 186

CUSTOMER ACCEPTANCE AND DUE DELIGENCE POLICY

1. Registration of Clients:

- Persons are added as clients only after they have a meeting with the senior manager / Management of the company.
- The Application forms for opening an account are issued only when the management is satisfied with the client's financial capacity to trade in stock market and after the prospective client provides the valid reference & introducer for his account.
- Know your client form is duly complying with the mandatory requirements specified by the SEBI & Stock Exchanges and are processed further along with pre-franked Agreement / Stamp paper of requisite amount, Supporting documents, proof of bank account, DP account, etc.
- The details are entered in the back office software by the maker of the document. Further a senior person acts like a checker to see that the details have been properly entered in the back office software.
- Walk-in clients are not entertained and only clients through reference are enrolled.
- The financial capability of the client is assessed on the basis of the balance sheet, profit and loss, income tax return, wealth details, etc which shows the financial position. 2 years balance sheet is taken from corporate clients. The individual clients are not comfortable providing the financial document, and hence a declaration is considered on the basis of the comfort of the organisation vis a vis the client. However I Tax return copy is taken & Networth is insisted upon.
- The client registration modalities are carried out in-house and not outsourced.
- With reference to updation of clients financial information, the client are requested to send their copy of I Tax return & networth on yearly basis.
- The compliance officer of the company verifies all the applications received.
- The company has the policy of approval of all application forms by the Management of the company before allowing opening of trading a/c of the applicant.
- The clients are appraised about the risk disclosure document and make them aware of the contents regarding the risk associated with the securities market.
- On the Basis of Risk profile of Client, which is done by Management/ Sales Traders / Dealers Client is given limits for trading.

Operational controls – Customer Due Diligence

In general, before doing business with any prospective customer, appropriate customer due diligence should be undertaken and recorded. The customer due diligence process comprises (a) the identification and appropriate verification of identity and (b) additional Know Your Client information.

Know Your Clients Forms should be obtained in respect of all new customers and, where appropriate, in respect of existing customers on an ongoing basis. The extent to which Know Your Clients should be conducted should be determined on a risk based approach.

Customers treated as high risk for any reason should be the subject of enhanced Customer Due Diligence.

In certain limited circumstances and if within the overall framework of the SEBI guidelines, the company may apply reduced or simplified Customer Due Diligence measure for certain types of customers, products or transactions, taking into account all other risk factors. Any such reduced Customer Due Diligence procedures must be approved by the Principal / Compliance Officer.

Detailed procedures for Customer Due Diligence must be decided by the responsible Principal Officer, and be included in standard operating procedures covering any additional local legal and regulatory requirements, as may be applicable.

Customer Due Diligence

- a. Identification / Verification** - A prospective customer's identity should be obtained and verified using reliable, independent documentary and/or electronic source material. Where such evidence is not provided then the business should be declined.
 - i. Where there are doubts about the quality or adequacy of previously obtained customer identification material for existing customers then, on the basis of materiality and risk, identification/verification should be carried out at appropriate times (e.g. immediately for high risk customers, when a transaction of significance takes place; when there is a material change in the way in which the account is operated; etc).
 - ii. For non-personal customers (e.g. companies (particularly private companies), trusts, partnerships, etc) measure should be undertaken to understand the ownership and control structure (including the person/s who is/ are able to exercise control over the funds) and appropriate identification and verification undertaken.
 - iii. Special care must be taken in respect of customers introduced by **intermediaries**, particularly where use is made of shell or shelf

companies, trusts, nominee structures or other structures which appear to be established in order to hide the true ownership of assets. In all such circumstances the details of the identity and supporting identification material in respect of all relevant parties must be provided by the customer to the Company Office. The Company office remains responsible for ensuring that identification material and other Know Your Clients information meets Company and SEBI requirements. The acceptance of business introduced by or managed through any **intermediary** is subject to the relevant Company office undertaking appropriate and satisfactory initial and ongoing due diligence in respect of the **intermediary** and obtaining senior management authorization. Approved relationships with **intermediaries** should be reviewed and re-approved on a regular basis.

- iv. As part of the due diligence measures sufficient information must be obtained in order to identify persons who beneficially own or control securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party should be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and / or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement. Beneficial ownership and control has to be identified; i.e. determine which individual(s) ultimately own(s) or control(s) the customer and / or the person on whose behalf a transaction is being conducted.
- v. Ongoing due diligence and scrutiny of transactions and trading account should be conducted.

b. Policy for acceptance of Customers - Company has developed customer acceptance policies and procedures which aim to identify the types of customers that are likely to pose a higher than the average risk of money laundering or terrorist financing. The following safeguards are followed while accepting the customers.

- i. No Trading account is opened in a fictitious / benami name, Suspended / Banned Organisation and person. Verification to be made from the data available from SEBI & Exchanges web link.
- ii. Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to Customers' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover, etc and manner of making payment for transactions undertaken. These parameters enable classification of Customers into low, medium and high risk. Customers of

special category (as given below) are classified under higher risk. Higher degree of due diligence and regular update of Know Your Clients profile are carried for these Customers.

- Non-Resident Clients
 - High Networth Clients
 - Trust, Charities, NGOs and organizations receiving donations
 - Companies having close family shareholdings or beneficial ownership
 - Politically exposed person (PEP). Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. Heads of States or of Governments, senior politicians, senior government / judicial / military officers, senior executives of state-owned corporations, important political party officials etc. The norms applicable to PEP shall also be applied to the accounts of the family members or close relatives of PEPs,
 - Companies offering foreign exchange offerings,
 - Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, where there is unusual banking secrecy), Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent,
 - Non face to face clients,
 - Clients with dubious reputation as per public information available etc.
- iii. It should be specified in what manner the account should be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity / value and other appropriate details. Further the rights and responsibilities of both the persons (i.e. the agent-client registered with Company).
- iv. Necessary checks and balance to be put into place before opening an account 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/ regulatory agency.
- v. Before accepting any person as new client, it is ensured that the name/s of the proposed customer does not appear in the updated list of individuals

and entities which are subject to various sanction measures such as freezing of assets / accounts, denial of financial services etc. as approved by Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) accessed from the United Nations website at <http://www.un.org/sc/committees/1267/consolist.shtml>. Also the same is verified from www.watchoutinvestors.com.

c. Know your Customer information

- i. Know Your Clients Form information should be obtained prior to commencing the relationship and should be updated on a regular basis during the course of the business relationship. A risk based approach should be applied depending on the type of customer, nature of the business relationship, product and any other risk factor that may be relevant, as well as any specific local requirements.
- ii. The client should be identified by the Company by using reliable sources including documents/ information. Adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship should be obtained by the Company.
- iii. The information to be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the Company in compliance with the SEBI Guidelines. Each original document should be seen prior to acceptance of a copy and all copies of the documents should be self certified by the customer. Additionally information that can be verified from the government sites like income tax, etc would be verified from there to check the authenticity of the information given by the client.

d. Identification / Verification Measures - Where a potential client has not dealt with the Company in the past and wishes to open a trading account, the procedure is as under:

- i. The client provides the necessary information required, including relevant documents
- ii. The client account opening form / client registration form is duly completed by the client / clients nominee / dealer / sales executive.
- iii. The member client agreement is executed (together with the Risk Disclosure Document) and the client registration form is duly filled and signed.

iv. All material amendments or alterations to client data (e.g. financial information or standing instructions) are done only after receipt of written request from the clients.

v. Following documents are to be collected for Non Individuals

1. Member and Client Agreement
2. Non Individual Client Registration Form
3. Risk Disclosure Document
4. All other supporting documents for identity / address of the non individual entity and residence and identity of the authorized signatory.
5. In case of companies, Board Resolution authorizing the directors / senior employees / authorized signatory to operate on behalf of the company. In case of other entities similar documents as required would be taken.

vi. Following documents are to be collected for Individuals

1. Member and Client Agreement
2. Individual Client Registration Form
3. Risk Disclosure Document
4. All other supporting documents for identity and residence of the individual.

Note: Photo proofs for identification of the client to be verified against originals and taken before opening a trading account with a new individual client. In case of non individual client, photo identities of the directors / authorised persons are to be verified against original and taken on record.

Know Your Clients information includes but is not limited to appropriate personal, business and financial details with regard to the customer, details on the purpose and intended nature of the business relationship including anticipated transactional activity, details as to the source of funds/wealth.

- vii. The Unique client code (UCC) will be given to the non-institutional client only after receiving the form duly filled and signed, is in place.
- viii. The information on the new client will be given to the Operations persons who will only open the account & allot UCC code to the client & register the same with exchanges.

e. Risk Profiling of Customers

- i. Customer's acceptance to the potential money laundering risk associated to it. Based on the risk assessment, customers should be grouped into the following three categories viz:
 1. Low Risk
 2. Medium Risk
 3. High Risk
- ii. All customers should be assigned one of these categories.
- iii. The category of risk assigned to an account/customer will determine the applicable Customer Identification Procedures, subsequent monitoring & risk management.
- iv. Customers who may pose a particular risk to the Company and Money Laundering Deterrence Programme and the Company's reputation, and who should normally be treated as high risk and subject to enhanced Customer Due Diligence, include, but are not limited to the following:-
 - Members of the Company must not establish accounts or relationships involving unregulated money service businesses or unregulated businesses involved in aiming / gambling activities.
 - Offshore Trusts, Special purpose Vehicles, International Business Companies which are established in locations with strict bank secrecy or confidentiality rules, or other legislation that may impede the application of prudent money laundering controls.
 - Private companies, or public companies not subject to regulatory disclosure requirements, that are constituted in full or in part by bearer shares
 - Customers with complex account relationships – e.g. multiple accounts in one, customers with high value and/ or high frequency transactional behavior.
 - No account should be opened in anonymous or fictitious/benami name(s) i.e. to say the anonymous or fictitious/benami customers shall not be accepted.
 - No account should be opened or transactions conducted in the name of or on behalf of banned/suspended individuals organizations, entities etc. for the purpose, necessary cross checks must be made to ensure the identify of a customer does not match with any person with criminal background or with banned/ suspended entities.

- No account should be opened if appropriate due diligence measures cannot be applied to a customer for want of verification documents on account of non co-operation of the customer or non-reliability of the data/information furnished of the Company.

Unless appropriate controls can be introduced to manage the risks posed by the above, then the business should normally be declined.

- f. **Non Face to Face Businesses** Members of the Company should apply Customer Due Diligence procedures which ensure that the process is equally as effective for non face to face customers as for face to face customers. Financial services and products are now frequently provided to non face to face customers via postal, telephone and electronic facilities including the Internet. Customer identification procedures in these circumstances should include appropriate measure to mitigate the risks posed by non face to face business. Ongoing due diligence and scrutiny of transactions and trading account should be conducted.
- g. **Correspondent Accounts** The Company is not permitted to open or maintain “payable through accounts”, (being correspondent accounts that are used directly to transact business on their own behalf) without the written and ongoing annual approval of the Head of Compliance.