

## CUSTOMER ACCEPTANCE POLICY

### Depository Participant (DP)

*In accordance with SEBI (Depositories and Participants) Regulations, 2018 & PMLA, 2002*

<b>Document Title</b>	Customer Acceptance Policy – Depository Participant
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<b>Approved By</b>	Board of Directors / Compliance Committee
<b>Regulatory References</b>	SEBI (Depositories & Participants) Regulations 2018; PMLA 2002; SEBI Master Circular on AML/CFT; CDSL By-Laws and Business Rules

#### 1. Preamble & Purpose

This Customer Acceptance Policy (CAP) has been formulated by the Depository Participant (hereinafter referred to as "the DP") in compliance with the Securities and Exchange Board of India (SEBI) (Depositories and Participants) Regulations, 2018, the Prevention of Money Laundering Act, 2002 (PMLA), and guidelines issued by CDSL from time to time.

The primary objectives of this Policy are:

- To define the standards and procedures for accepting customers/beneficial owners as clients of the DP.
- To establish a risk-based framework for customer due diligence (CDD) and Know Your Customer (KYC) verification.
- To prevent the DP from being used, knowingly or unknowingly, by criminal elements for money laundering or terrorist financing.
- To ensure regulatory compliance and protect the DP from reputational, legal, and operational risks.
- To lay down criteria for categorization of customers based on risk profile.

## 2. Scope & Applicability

This Policy is applicable to:

- All new and existing Beneficiary Owner (BO) accounts opened with the DP.
- All categories of account holders including individuals, corporates, HUFs, NRIs, OCIs, PIOs, trusts, partnership firms, LLPs, and institutional investors.
- All employees, officers, involved in customer onboarding, KYC verification, and account management.

## 3. Key Definitions

Term	Definition
Beneficial Owner (BO)	The natural person(s) who ultimately owns or controls a customer, or on whose behalf a transaction is conducted.
Customer	Any person or entity that maintains a Demat account with the DP for holding securities in dematerialized form.
KYC	Know Your Customer – the process of identifying and verifying the identity of clients, in accordance with regulatory guidelines.
CDD	Customer Due Diligence – measures taken to identify customers and assess risk associated with the business relationship.
EDD	Enhanced Due Diligence – additional checks performed on high-risk customers including PEPs and non-face-to-face clients.
PEP	Politically Exposed Person – individuals entrusted with prominent public functions, their family members, and close associates.
PMLA	Prevention of Money Laundering Act, 2002 – the principal legislation governing anti-money laundering in India.
Demat Account	Dematerialized Account – an account held with a Depository Participant to hold securities in electronic form.
STR/SAR	Suspicious Transaction Report / Suspicious Activity Report – report filed with FIU-IND on transactions suspected to involve money laundering.

## 4. Customer Eligibility Criteria

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### 4.1 Eligible Applicants

The DP shall accept applications for opening Demat accounts from the following categories:

#### 4.1.1 Resident Individuals

- Indian citizens of 18 years and above.
- Minors may open accounts through natural guardians or court-appointed guardians; the account shall be operated by the guardian until the minor attains majority.
- Persons of unsound mind may open accounts through guardians with appropriate legal documentation.

#### 4.1.2 Non-Resident Indians (NRIs) / OCIs / PIOs

- NRIs may open NRO or NRE Demat accounts in accordance with FEMA regulations.
- Overseas Citizens of India (OCI) and Persons of Indian Origin (PIO) are eligible subject to FEMA and RBI guidelines.
- PINS (Portfolio Investment Scheme) accounts for NRI investments shall comply with applicable RBI/FEMA norms.

#### 4.1.3 Corporate Entities

- Public and Private Limited Companies incorporated under the Companies Act, 2013 or prior Acts.
- Foreign companies registered in India as per applicable laws.
- All authorized signatories and beneficial owners (holding >25% stake) must be identified and verified.

#### 4.1.4 Other Legal Entities

- Hindu Undivided Families (HUF) – represented by the Karta.
- Partnership Firms and Limited Liability Partnerships (LLPs).
- Trusts (Public and Private) – represented by trustees.
- Societies, Associations, Clubs registered under applicable laws.
- Central and State Government Bodies, Statutory Bodies, and Regulatory Authorities.
- Banks, Financial Institutions, and Foreign Institutional Investors (FIIs/FPIs).
- Mutual Funds, Insurance Companies, and other registered intermediaries.

### 4.2 Ineligible Applicants / Prohibited Categories

The DP shall NOT open accounts for the following:

- Shell companies or entities with no identifiable beneficial owner.
- Entities or individuals on OFAC, UN, or Government of India sanctions lists.
- Entities listed as designated terrorists or terrorist organizations.
- Persons/entities from jurisdictions identified as Non-Cooperative Countries and Territories (NCCTs) by FATF, without additional due diligence.

- Entities for which the DP cannot complete full KYC/CDD due to non-submission of required documents.
- Anonymous accounts or accounts in fictitious names are strictly prohibited.
- Persons who have been barred/debarred by SEBI or any other regulatory authority.

## 5. KYC / Document Requirements

### 5.1 Identity & Address Proof (Individuals)

Document Type	Accepted Documents	Remarks
Identity Proof (OVD)	PAN Card (mandatory), Aadhaar Card, Passport, Driving Licence, Voter ID Card	PAN is mandatory for all BO accounts.
Address Proof	Aadhaar Card, Passport, Utility Bills (not older than 3 months), Bank Statement, Rent Agreement	Self-attested copy required.
Photograph	Recent passport-size photograph (color)	Self-attested if submitted physically.
Income Proof (for F&O/Derivatives)	ITR, Pay Slip, Bank Statement (6 months), Form 16	Required for equity derivatives segment activation.
Bank Details	Cancelled Cheque / Bank Passbook / Bank Letter	IFSC and MICR code must be visible.

### 5.2 Documents for Non-Individuals

- Certificate of Incorporation / Registration Certificate.
- Memorandum and Articles of Association (for companies).
- Partnership Deed / LLP Agreement.
- List of Directors / Partners / Trustees with KYC of each.
- Board Resolution authorizing the account and naming authorized signatories.
- PAN of the entity and authorized signatories.
- Beneficial Ownership Declaration (for entities with >25% ownership or voting rights).
- GST Registration Certificate and latest audited financial statements (where applicable).

## 6. Customer Risk Categorization

The DP shall classify all customers into risk categories as part of its Risk-Based Approach (RBA) to AML/CFT compliance:

Risk Category	Customer Profile	Due Diligence Level
LOW RISK	Salaried individuals, government employees, small investors, pensioners with verified KYC, transparent source of funds, simple transactions.	Standard CDD; Annual review; Basic KYC documents.
MEDIUM RISK	Self-employed individuals, small businesses, NRIs, new account holders with limited transaction history, cash-intensive businesses.	Enhanced CDD; Semi-annual review; Additional documentation on source of funds.
HIGH RISK	PEPs and their family/associates, HNIs with complex structures, entities from high-risk jurisdictions, non-face-to-face accounts, legal persons with complex ownership, charitable/NGO entities.	EDD mandatory; Quarterly review; Senior management approval; Continuous monitoring; Source of wealth documentation.

The risk category of a customer shall be reviewed at least annually or upon occurrence of any significant event (e.g., change in ownership, change in transaction pattern, adverse media reports).

## 7. Account Opening Procedure

### 7.1 Application Process

1. Applicant submits duly filled Account Opening Form (AOF).
2. Submission of KYC documents (self-attested copies / eKYC).
3. In-Person Verification (IPV) conducted by authorized DP official or through V-CIP.
4. Verification of documents against originals (physical).
5. KYC upload to KRA (KYC Registration Agency) within prescribed timelines.
6. Risk categorization and CDD/EDD conducted based on risk profile.
7. Senior Management / Compliance Officer approval for High Risk accounts.
8. Account opened and BO ID generated upon successful completion of all checks.
9. Welcome letter / onboarding communication sent to client with BO ID and account details.

## 7.2 In-Person Verification (IPV)

IPV is mandatory for all new account openings. The DP shall ensure:

- The customer is physically present or IPV is conducted via V-CIP.
- The IPV official shall verify identity documents against originals.
- The date, time, and name of the IPV official shall be recorded on the AOF.
- IPV records shall be retained for a minimum of 5 years from the date of closure of the account.

## 7.3 Politically Exposed Persons (PEPs)

The following additional requirements apply to PEP accounts:

- Identification of PEP status is mandatory during onboarding and periodic reviews.
- Written approval from Senior Management (MD/CEO level) required before opening/maintaining PEP accounts.
- Enhanced Due Diligence (EDD) must be conducted, including source of wealth verification.
- PEP accounts shall be subject to continuous/enhanced transaction monitoring.
- Family members and close associates of PEPs shall be treated as PEPs for the purpose of this Policy.

## 8. Periodic KYC Review and Updation

The DP shall implement a periodic KYC review process to ensure KYC records remain current and accurate:

Review Frequency	Applicable To	Actions Required
Every 2 Years	High Risk Customers, PEPs	Full KYC refresh; EDD; Senior approval; Transaction review.
Every 8 Years	Medium Risk Customers	KYC updation; CDD; Address and identity re-verification.
Every 10 Years	Low Risk Customers	KYC updation; Confirm no material change in customer profile.
On Trigger Events	All Customers	Change in address, beneficial ownership, risk event, regulatory instruction, suspicious activity.

Customers who fail to submit updated KYC documents within the prescribed period shall have their accounts flagged and, if necessary, operations restricted until compliance is achieved.

## 9. Prohibited and Restricted Transactions

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The DP shall not entertain or facilitate:

- Cash transactions for account opening fees or charges beyond permissible limits.
- Transactions involving proceeds of crime, drug trafficking, or terrorist financing.
- Round-tripping transactions designed to disguise the origin of funds.
- Transactions on behalf of undisclosed third parties without proper authorization.
- Transfers involving sanctioned countries, entities, or individuals.
- Structuring transactions to avoid regulatory thresholds or reporting requirements.

## 10. Suspicious Transaction Reporting (STR/SAR)

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In compliance with PMLA and SEBI guidelines, the DP shall:

- Maintain a robust transaction monitoring system to detect unusual or suspicious patterns.
- File Suspicious Transaction Reports (STRs) with the Financial Intelligence Unit – India (FIU-IND) within 7 days of forming a suspicion.
- Maintain strict confidentiality of STR filings; no employee shall disclose to the customer or any third party that an STR has been filed (tipping-off is prohibited).
- Maintain records of all STRs filed for a period of at least 5 years.
- Designate a Principal Officer responsible for STR filing and FIU-IND liaison.

Indicators of suspicious transactions include (not exhaustive):

- Large unusual transactions inconsistent with the client's known profile.
- Frequent transfers to/from unknown third parties.
- Sudden spike in transaction volume without apparent business reason.
- Transactions involving known high-risk jurisdictions.
- Dormant accounts suddenly becoming active with large transactions.

## 11. Record Keeping and Data Retention

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The DP shall maintain the following records as required under PMLA and SEBI Regulations:

- All KYC documents and account opening forms – minimum 5 years after account closure.
- All transaction records pertaining to BO accounts – minimum 5 years from the date of transaction.
- STR filings and related internal documents – minimum 5 years from date of filing.
- Training records of AML/KYC training – minimum 5 years.
- All CDD and EDD documentation – minimum 5 years after end of business relationship.

Records shall be maintained in such a manner as to permit reconstruction of individual transactions and shall be available for scrutiny by SEBI, FIU-IND, depositories, or any other competent authority.

## 12. Employee Training and Awareness

The DP shall ensure:

- All relevant employees receive mandatory AML/KYC/CFT training at the time of joining.
- Annual refresher training is conducted covering regulatory updates, red flags, and reporting obligations.
- Specialized training is provided to frontline staff, compliance teams, and senior management.
- Training attendance and assessments are documented and records maintained.
- The DP's Compliance Officer / Principal Officer shall be responsible for overseeing the training program.

## 13. Roles and Responsibilities

Role	Responsibilities
Board of Directors	Overall ownership of the Policy; approval of CAP and its amendments; ensuring adequate resources for AML/KYC compliance.
Compliance Officer / Principal Officer	Day-to-day implementation of CAP; STR filings; regulatory liaison; training oversight; internal audits.
Account Opening / Operations Team	Collection and verification of KYC documents; IPV; data entry; KRA upload within timelines.
Risk Management Team	Customer risk categorization; transaction monitoring; identification and escalation of suspicious activities.
Branch Managers / Authorized Persons	Ensuring Policy adherence at branch level; initial review of applications; escalation of high-risk cases.
Internal Auditors	Periodic audit of CAP compliance; reporting gaps and exceptions to Board/Audit Committee.

## 14. Consequences of Non-Compliance

Non-compliance with this Policy may result in:

- Regulatory action by SEBI, including suspension or cancellation of DP registration.
- Monetary penalties and prosecution under PMLA.
- Reputational damage and loss of client confidence.
- Disciplinary action against employees including warnings, suspension, or termination.

- Criminal liability in cases involving knowing facilitation of money laundering or terrorist financing.

## 15. Policy Review and Amendment

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This Customer Acceptance Policy shall be:

- Reviewed at least annually by the Compliance Officer and approved by the Board of Directors.
- Updated as and when required due to changes in applicable laws, SEBI regulations, CDSL guidelines, or business operations.
- Communicated to all relevant staff upon each amendment.
- Made available to regulators and auditors upon request.