

## **KNOW YOUR CUSTOMER (KYC), ANTI-MONEY LAUNDERING MEASURES AND COMBATING FINANCING OF TERRORISM POLICY**

### **1. PREAMBLE**

1.1. The Reserve Bank of India (“**RBI**”) has issued a revised set of comprehensive instructions to inter alia all non-banking financial companies (“**NBFCs**”) vide the Master Direction – Know Your Customer (KYC) Direction, 2016 dated February 25, 2016 and updated on July 8, 2016 and December 8, 2016 bearing reference number Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 as amended up to 12<sup>th</sup> July, 2018 (“**KYC Master Directions**”). The KYC Master Directions stipulate that inter alia all NBFCs are required to have a ‘know your customer’ (“**KYC**”) policy in place, which is duly approved by the Board of Directors of such NBFC or any committee of the Board of Directors of the NBFC, to which power has been delegated.

**Systematix Finvest Private Limited (The Company)** is registered with the RBI as a non-deposit taking NBFC and accordingly the KYC Master Directions are applicable to the Company. In order to ensure compliance with the aforementioned requirement of the KYC Master Directions, the company has put in place this policy in relation to KYC, anti-money Laundering (“**AML**”) and combating financing of terrorism (“**CFT**”) (the “**Policy**”). This Policy envisages the adoption of measures and procedures relating to KYC, AML and CFT for the Company in accordance with the requirements prescribed by the RBI vide the KYC Master Directions and is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities and for combating financing of terrorism. KYC procedures also enable the Company to know / understand their Customers and their financial dealings better which in turn help the Company to manage risks more prudently. This Policy will supersede the existing policy passed by the Board earlier.

1.2. The Policy has following objectives:

1.2.1 To put in place systems and procedures to help in controlling financial frauds, combat financing of terrorism, identify money laundering and suspicious activities and to safeguard the Company from such activities;

1.2.2. To put in place systems and procedures for Customer Identification and verifying his / her/ its identity and residential address;

1.2.3. To monitor Transactions of suspicious nature; and

1.2.4. To evolve a system for maintenance and preservation of records.

### **2. GENERAL**

2.1. There shall be a know your customer (KYC) policy duly approved by the Board of Directors of REs or any committee of the Board to which power has been delegated.

2.2. The KYC policy include following four key elements:-

- a) Customer Acceptance Policy
- b) Risk Management
- c) Customer Identification Procedure (CIP) and
- d) Monitoring of Transactions

2.3. 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 shall be nominated as the “Designated Director”.

2.4. Principal Officer:

- a) The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulation.
  - b) The name, designation and address of the Principal Officer shall be communicated to the FIU-IND.
- 2.5. Compliance of KYC Policy:-
- a) The Company shall ensure compliance with KYC Policy through:
    - (i) Specifying as to who constitute 'Senior Management' for the purpose of KYC compliance.
    - (ii) Allocation of responsibility for effective implementation of policies & procedure.
    - (iii) Independent evaluation of the compliance functions of the Company policies and procedures, including legal and regulatory requirements.
    - (iv) Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures
    - (v) Submission of quarterly audit notes and compliance to the Audit Committee.
  - b) The Company shall ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

### **3. CUSTOMER ACCEPTANCE POLICY**

3.1. The Policy of the Company for the purpose of acceptance of Customers will be as follows:

- 3.1.1. The Company shall not open any account in anonymous or fictitious/benami names.
- 3.1.2. While opening the account the nature of business activity, location of customer, volume of turnover and financial status etc will be taken into account for categorizing the level of risk.
- 3.1.3. Not to open an account where the company is unable to apply the appropriate customer due diligence measures such as to verify the identity or obtain documents required.
- 3.1.4. Documentation and other information in respect of different categories of customers, depending on the risk and as per the requirements of PML Act, 2002 and the guidelines issued by the Reserve Bank of India from time to time.
- 3.1.5. While opening new account, to ensure that identity of the customer does not match with the known criminal background or with banned entities such as individual terrorist or terrorist organizations etc. 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.
- 3.1.6. The mandatory information shall be sought for KYC purpose while opening an account and during the periodic updation,
- 3.1.7. 'Optional'/additional information, shall be obtained with the explicit consent of the customer after the account is opened
- 3.1.8. Customer Due Diligence Procedure shall be followed for all the joint account holders, while opening a joint account.
- 3.1.9. Circumstances in which, a customer is permitted to act on behalf of another person/entity, shall be clearly spelt out.
- 3.1.10. The Company shall 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.

#### 4. RISK MANAGEMENT

The Board of Directors of the company has ensured that an effective KYC policy is in place and has established appropriate procedures and is overseeing its effective implementation. The program covers proper management oversight, systems and controls, segregation of duties, training and other related matters.

The Company's internal audit and compliance functions have an important role in evaluating and ensuring adherence to the Company policies and procedures. The compliance function will provide an independent evaluation of company's policies and procedures and comment on the lapses observed in this regard.

- 4.1. For the purpose of risk management, the Company will follow a risk based approach which will include the following:
  - 4.1.1. The Company will categorize Customers in low, medium and high risk category, based on the assessment and risk perception of the Company, as more particularly set out in **Annexure I** hereto;
  - 4.1.2. The Company shall undertake risk categorization based in parameters such as the Customer's identity, social/financial status, nature of business activity, and information about the clients' business and their location 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.

Provided that various other information collected from different categories of customers relating to the perceived risk, is non-intrusive and the same is specified in the KYC policy.

Explanation: FATF Public Statement, the reports and guidance notes on KYC/AML issued by the Indian Banks Association (IBA), guidance note circulated to all cooperative banks by the RBI etc., may also be used in risk assessment.

#### **Customer Education**

The Company will have an ongoing employee training program so that members of the staff are adequately trained in KYC procedures. Training requirements will have different focuses for frontline staff, compliance staff and staff dealing with new customers.

#### 5. CUSTOMER IDENTIFICATION PROCEDURE:

5.1. The Company shall undertake identification of Customers in the cases of Commencement of an account-based relationship, when there is a doubt about the authenticity or adequacy of the customer identification data it has obtained, walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, when a 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.

5.2. For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, rely on customer due diligence done by a third party, subject to the following conditions:

5.2.1. Necessary information of such customers' due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry..

5.2.2. Adequate steps are taken to satisfy themselves that 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.

5.2.3. 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.

5.2.4. The third party shall not be based in a country or jurisdiction assessed as high risk.

5.2.5. The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the company.

## **6. CUSTOMER DUE DILIGENCE PROCEDURE (CDD):**

### **6.1. CDD Procedure in case of Individuals**

6.1.1. The Company shall obtain the following documents from an individual while establishing an account based relationship:

(i) One certified copy of an “Officially Valid Document” (OVD), containing details of identity and address of the individual, provided that the Company shall allow the Customer to choose which (1) to (6) OVD will be submitted by the Customer for the purpose of proof of identity and proof of address;

(ii) One recent photograph; and

(iii) Such other documents pertaining to the nature of business or financial status specified by the Company in their KYC policy.

6.1.2. The Company shall ensure that 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.

6.1.3. The Company, at the time of receipt of the Aadhaar number, shall carry out, with the explicit consent of the customer, e-KYC authentication (biometric or OTP based).

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) 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.

(iii) The aggregate of all credits in a financial year, in all the deposit taken together, shall not exceed rupees two lakh.

(iv) 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.

(v) Accounts, both deposit and borrowal, opened using OTP based e- KYC shall not be allowed for more than one year within which Biometric based e-KYC authentication is to be completed.

(vi) 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.

(vii) The Company shall ensure that only one account is opened using OTP based KYC in non face to face mode and 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. Further, while

uploading KYC information to CKYCR, The company shall clearly indicate that such accounts are opened using OTP based e-KYC and other REs shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non face to face mode.

(viii) The Company shall have strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above mentioned conditions.

6.1.4. In case an individual customer who does not have Aadhaar/enrolment number and PAN and desires to open a bank account, banks shall open a 'Small Account', subject to the following:

- (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.
- (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) 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 through the production of an OVD and Aadhaar Number or where an Aadhaar number has not been assigned to the customer through the production of proof of application towards enrolment for Aadhaar which is not more than six months old, along with an OVD.

Provided further that if the customer is not eligible to be enrolled for an Aadhaar number, the identity of the customer shall be established through the production of an OVD.

- (h) Foreign remittance shall not be allowed to be credited into the account unless the identity of the customer is fully established through the production of an OVD and Aadhaar Number or the enrolment number which is not more than six months old, where the person is eligible to enrol for Aadhaar number has not been assigned an Aadhaar number.

Provided that if the client is not eligible to be enrolled for the Aadhaar number, the identity of client shall be established through the production of an OVD.

#### 6.1.12. **Simplified procedure for opening accounts:**

In case a person who desires to open an account is not able to produce documents mentioned in Paragraph 2.10 above, the Company may at its 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 the customer has to furnish identification information as mentioned under Section 15.
- (d) The identification process as per Section 15 is to be completed for all the existing accounts opened on the basis of introduction earlier, within a period of six months.
- (e) balances in all their accounts taken together shall not exceed rupees fifty thousand at any point of time
- (f) the total credit in all the accounts taken together shall not exceed rupees one lakh in a year.
- (g) The customer shall be made aware that no further transactions will be permitted until the full KYC procedure is completed in case Directions (e) and (f) above are breached by him.
- (h) 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 (e) and (f) above.

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

## **6.2. CDD Measures for Sole Proprietary firms:**

6.2.1. For the purpose of opening an account in the name of a sole proprietary firm, the Company shall obtain a certified copy of an OVD, containing details of identity and address of the individual (proprietor).

6.2.2. In addition to the above, 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/license 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) (f) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT/ 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, and landline telephone bills.

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

## **6.3. CDD Measures for Legal Entities**

6.3.1. For opening an account of a company, one certified copy of each of the following documents shall be obtained:

- (i) Certificate of incorporation.
- (ii) Memorandum and Articles of Association.
- (iii) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf.
- (iv) Officially valid documents in respect of managers, officers or employees holding an attorney to transact on its behalf.

6.3.2. For opening an account of a partnership firm, one certified copy of each of the following documents shall be obtained:

- (i) Registration certificate.
- (ii) Partnership deed.
- (iii) Officially valid documents in respect of the person holding an attorney to transact on its behalf.

6.3.3. For opening an account of a trust, one certified copy of each of the following documents shall be obtained:

- (i) Registration certificate.
- (ii) Trust deed.
- (iii) Officially valid documents in respect of the person holding a power of attorney to transact on its behalf.

6.3.4. For opening an account of an unincorporated association or a body of individuals, one certified copy of each of the following documents shall be obtained:

- (i) resolution of the managing body of such association or body of individuals;
- (ii) power of attorney granted to transact on its behalf;
- (iii) Officially valid documents in respect of the person holding an attorney to transact on its behalf and
- (iv) such information as may be required by the company to collectively establish the legal existence of such an association or body of individuals.

*Unregistered trusts/partnership firms shall be included under the term 'unincorporated association'.*

6.3.5. The Company shall obtain one certified copy of each of the following documents, for the purpose of opening an account of juridical persons not specifically covered in the earlier part, such as Government or its Departments, societies, universities and local bodies like village panchayats;

- (i) documents showing name of the person authorized to act on behalf of the entity;
- (ii) Aadhaar/ PAN/Officially Valid Documents for proof of identity and address in respect of the person holding a power of attorney to transact on its behalf; and
- (iii) such documents as may be required by the Company to establish the legal existence of such entity / juridical person.

#### **6.4. Identification of Beneficial Owner**

6.4.1. 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 Rule 9(3) of the Rules to verify his/her identity shall be undertaken keeping in view the following:

- (i) 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.

(ii) 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.

## 6.5. On-going Due Diligence

6.5.1. The Company shall 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.

6.5.2. In particular, and without limiting the generality of factors that may be considered by the Company for closely monitoring Transaction of Customers, the Company as required by RBI mandatorily monitor the following types of transactions:

(i) Large and complex transactions including RTGS 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.

(ii) Transactions which exceed the thresholds prescribed for specific categories of accounts.

(iii) High account turnover inconsistent with the size of the balance maintained.

(iv) Deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

6.5.3. The Company will align the extent of monitoring with the risk category of the Customer. For e.g. 'high risk' accounts will be subjected to more intensify monitoring by the Company. For this purpose:

(i) The Company will put in place a system of periodic review of risk categorization of accounts, at least once every six months and the Company will also put in place the need for applying enhance due diligence measures.

(ii) The Company will closely monitor transactions in accounts of marketing firms, especially accounts of Multi-level Marketing ('MLM) companies.

(iii) In cases where the Company notices that a large number of cheque books are sought by the Company and / or multiple small deposits (generally in cash) across the country are made in one bank account and / or where a large number of cheques are issued bearing similar amounts / dates, the Company will immediately report the same to the RBI and to other appropriate authorities such as FIU-IND.

## 6.6. Periodic Updation

Periodic updation shall be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers subject to the following procedure:

(a) The Company shall carry out

i. PAN verification from the verification facility available with the issuing authority and

ii. Authentication, of Aadhaar Number already available with the RE with the explicit consent of the customer in applicable cases.

iii. In case identification information available with Aadhaar does not contain current address an OVD containing current address may be obtained.

iv. Certified copy of OVD containing identity and address shall be obtained at the time of periodic updation from individuals not eligible to obtain Aadhaar, except from individuals who are categorised as



'low risk'. In case of low risk customers when there is no change in status with respect to their identities and addresses, a self-certification to that effect shall be obtained.

v. In case of Legal entities, the company shall review the documents sought at the time of opening of account and obtain fresh certified copies.

(b) The Company may not insist on the physical presence of the customer for the purpose of furnishing OVD or furnishing consent for Aadhaar authentication unless there are sufficient reasons that physical presence of the account holder/holders is required to establish their bona-fides. Normally, OVD/Consent forwarded by the customer through mail/post, etc., shall be acceptable.

(c) The company shall ensure to provide acknowledgment with date of having performed KYC updation.

(d) The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.

## **7. ENHANCED DUE DILIGENCE PROCESS**

### **A. Enhance Due Diligence**

#### **7.1. Accounts of non-face-to-face Customers:**

The Company shall ensure that the first payment to be effected through the customer's KYC complied account with another Regulatory Entity, for enhanced due diligence of non-face to face customers.

#### **7.2. Accounts of Politically Exposed Persons (PEP):**

7.2.1. The Company will have the option of establishing a relationship with Politically Exposed Persons, subject to the following conditions, that:

(i) The Company is able to gather sufficient information, including information about the sources of funds, accounts of family members and close relatives in relation to the Politically Exposed Person;

(ii) The Company has verified the identity of the Politically Exposed Person before accepting him as a Customer;

(iii) The decision to open an account for a Politically Exposed Person is taken at a senior level in accordance with the Company's Customer Acceptance Policy;

(iv) The Company subjects all such accounts to enhanced monitoring on an on-going basis;

(v) The Company's senior management approves continuation of business relationship, where an existing Customer or the Beneficial Owner of an existing account subsequently becoming a Politically Exposed Person;

(vi) The Company applies on an on-going basis, the Customer Due Diligence measures (as applicable to Politically Exposed Persons) including enhanced monitoring measures.

7.2.2. The Company will also following the procedure stipulated in Paragraph 7.2.1. (i) above, in relation to accounts where a Politically Exposed Person is the Beneficial Owner.

#### **7.3. Client accounts opened by professional intermediaries:**

The Company shall ensure while opening client accounts through professional intermediaries, that:

a) Clients shall be identified when client account is opened by a professional intermediary on behalf of a single client.

- b) The Company shall 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 shall 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 Company, and there are 'subaccounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of Company, the Company shall look for the beneficial owners.
- e) The Company shall, at their 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 Company.

## **8. RECORD MANAGEMENT (MONITORING OF TRANSACTIONS):**

8.1. The Company shall undertake the following steps in relation to maintenance, preservation and reporting of Customer account information, (pursuant to the provisions of the PML Act and the PML Rules):

8.1.1. The Company will 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;

8.1.2. The Company will preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least five years after the business relationship is ended;

8.1.3. The Company will make available the identification records and transaction data to the competent authorities upon request;

8.1.4. The Company will 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);

8.1.5. The Company will 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.

8.1.6. The Company will 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;

8.1.7. The Company will maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 of the PML Rules in hard or soft format.

## 9. REPORTING REQUIREMENTS TO FIU-IND

9.1. 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.

9.2. The Company will comply with such reporting requirement by utilizing the formats stipulated in the KYC Master Directions.

9.3. The Company will not put any restriction on operations in the accounts where a Suspicious Transaction report has been filed and the Company will keep the fact of furnishing of a Suspicious Transaction report in relation to any account as strictly confidential. The Company will ensure that there is no tipping off to the Customer at any level.

The Company will put in place robust software, throwing alerts when the transactions are inconsistent with risk categorization of the Customer and further the Company will also put in the place updated profiles of Customers as a part of effective identification and reporting of Suspicious Transactions.

*However, complexity of all transactions being very low, such a software is not necessary since there are only loans granted and repaid.*

## 10. REQUIREMENTS / OBLIGATIONS UNDER INTERNATIONAL AGREEMENTS FROM INTERNATIONAL AGENCIES:

### 10.1. Communications from International Agencies:

10.1.1. Pursuant to the requirements of Section 51 A of the UAP Act, the Company will ensure that the Company does not have any account in the name of individual / entities appearing in the lists of individual and entities, suspected of having terrorist links, which are approved by and periodically circulated by the UNSC.

10.1.2. The Company will report details of accounts resembling any of the individuals / entities in the lists (approved and circulated by the UNSC) to the FIU-IND and further the Company will also advise the Ministry of Home Affairs of the same as required under UAP Act notification dated August 27, 2009.

### 10.1.3. Freezing of Assets under Section 51A of UAP Act:

The Company will strictly follow and meticulously comply with the procedure laid down in the UAP Act order dated August 27, 2009.

### 10.1.4. Jurisdictions that do not or insufficiently apply the FATF Recommendations:

(i) The Company will consider the 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. The Company will further take into account risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement.

(ii) The Company will provide special attention 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.

(iii) The process referred to in Section 55 a & b of the KYC Master Direction do not preclude Company from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statement.

(iv) The Company will examine 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, and will retain and written findings together with all documents in relation thereto and will make the same available to the RBI and other relevant authorities, upon receipt of a request for the same.

## **11. OTHER INSTRUCTIONS:**

### **11.1. Secrecy Obligations and Sharing of Information:**

11.1. The Company will maintain secrecy regarding the customer information in the manner stipulated in Section 45NB of the Reserve Bank of India Act, 1934 and will disclose such confidential information only in the circumstances stipulated in the said Section 45NB of the Reserve Bank of India Act, 1934.

### **11.2. CDD Procedure and sharing KYC information with CKYCR**

11.2.1. The Company shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as required by the revised KYC templates prepared for 'individuals' and 'Legal Entities' as the case may be. 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.

11.2.2. The Company will upload the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017 with CERSAI in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

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

Under FATCA and CRS, The Company shall adhere to the provisions of Income Tax Rules 114F, 114G and 114H and determine whether they are a Reporting Financial Institution as defined in Income Tax Rule 114F and if so, shall take following steps for complying with the reporting requirements:

11.3.1 Company shall Register on Income Tax Department as Reporting Financial Institutions.

11.3.2. 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.

11.3.3 Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H.

11.3.4 Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules.

11.3. (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>. REs may take note of the following:

a) updated Guidance Note on FATCA and CRS

- b) a press release on 'Closure of Financial Accounts' under Rule 114H (8)..

### **Quoting of PAN**

Permanent account number (PAN) 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.

### **11.6. Introduction of New Technologies – Credit Cards/Debit Cards/ Smart Cards/Gift Cards/Mobile Wallet/ Net Banking/ Mobile Banking/RTGS/ NEFT/ECS/IMPS etc**

11.6.1. The Company will pay adequate attention to any money-laundering and financing of terrorism threats that may arise from new or developing technologies and the Company will ensure that appropriate KYC procedures issued from time to time are duly applied before introducing new products / services / technologies.

### **11.7. Hiring of Employees and Employee training**

11.7.1. The Company will put in place adequate screening mechanism as an integral part of their personnel recruitment/hiring process.

11.7.2. The Company will put in place on-going employee training programmes so that the members of staff of the Company 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 Company will ensure that the front desk staff shall be specially trained to handle issues arising from lack of customer education. The Company will ensure proper staffing of the audit function with persons adequately trained and well-versed in AML/CFT policies of the Company, regulation and related issues.

### **11.8. Adherence to KYC guidelines by persons authorized by NBFCs including brokers /agents, etc.**

11.8.1. The Company will ensure that Persons authorized by the Company including brokers, agents etc. of the Company are fully compliant with the KYC guidelines applicable to the Company.

11.8.2. The Company will make available all information to the RBI to verify compliance with the KYC guidelines and the Company will accept full consequences of any violation by the Persons authorized by the Company, including brokers, agents, etc. who are operating on behalf of the Company.

11.8.3. The books of accounts of Persons authorized by the Company, including brokers, agents, etc., so far as they relate to brokerage functions of the company, shall be made available for audit and inspection whenever required.

## **12. COMPLIANCE WITH THIS POLICY**

12.1. A Designated Director will be nominated by the Board of Directors of the Company for the purpose of ensuring overall compliance by the Company of the obligations imposed under Chapter IV of the PML Act and the PML Rules. The Company will communicate the name, designation and address of the Designated Director to the FIU-IND. The Company will further ensure that the Principal Officer will in no case be nominated by the Board of Directors of the Company as the 'Designated Director'.

12.2. The Company will nominate an officer as the 'Principal Officer', who will be responsible for ensuring compliance, monitoring transactions and sharing and reporting information as required under applicable law. The company will communicate the name, designation and address of the Principal Officer to the FIU-IND.

12.3. The Company will ensure compliances with this Policy through:

12.3.1. Specifying as to who constitute 'Senior Management' for the purpose of KYC Compliance.

12.3.2. Allocation of responsibility for effective implementation of policies and procedures.

12.3.3. Independent evaluation of the compliance functions of the Companies policies and procedures, including legal and regulatory requirements.

12.3.4. Concurrent / internal audit system to verify the compliance with KYC / AML policies and procedures.

12.3.5. Submission of quarterly audit notes and compliance to the audit committee / Board of the Company.

**\* Senior Management means and includes Senior Executives and Board of Directors of the Company**

### 13. MISCELLANEOUS

13.1. Any modification in this Policy shall require approval of the Board of Directors of the Company.

The company will abide by this Policy following spirit of this Policy and in the manner it may be applicable to its business.

## ANNEXURE – I

### Risk categorization of Customers

Sr. No.	Low Risk Customers	Medium Risk Customers	High Risk Customers
1.	Individuals (other than high net worth individuals) and entities whose identities and source of wealth can be easily identified and transaction in whose account by and large confirm to known profile	Non-resident Customers	Politically Exposed Persons
2.	Salaried employees whose salary structure is well defined	High net worth Customer – any non – corporate Customers whose income is above Rs. One crore or having net worth above Rs. Ten Crores	Non-face to face customers
3.	People belonging to lower economic strata of society whose account show small balances and low turnover	Companies having close family shareholdings or beneficial ownership	Customers with dubious reputation as per public information available
4.	Government departments and Government	Trusts, Charities	Bullion dealer
5.	Regulatory and statutory bodies	NGOs and organizations	Jewelers

		receiving donations	
6.			Cash incentive business
7.			High Risk Jurisdiction
8.			Companies offering foreign exchange offerings

**NOTES:**

1. If required, Politically Exposed Persons may be put in a risk category above 'high risk'.
2. In case of the High Risk and Medium Risk if the Company or its affiliates have good track of past business relationship with the Customer, then the Company may categorized such Customer in a low risk category.
3. In case of the High Risk and Medium Risk if the source of fund is clear for a particular Customer then the Company may categorized such Customer in a lower risk category.

**ANNEXURE – II**

**Customer Identification Procedure**

**Features to be verified and documents that may be obtained from customers**

**Individual:**

- Self Attested & Clear Copy of PAN Card.
- Self Attested & Clear Copy of Address proof. (Any of listed below)
- a)** Voter ID **b)** Utility Bill not more than two months old (Landline Telephone or Electricity bill) **c)** Ration card **d)** Passport **e)** Driving License. **f)** Saving Bank account statement printed on Bank Letter Head, not more than three months old, signed & stamped by existing Banker. (Co-op Bank statement & Gramin Bank statement is not accepted for an address proof).

**HUF:**

- Self Certified & Clear Copy of HUF PAN Card.
- Self Certified & Clear Copy of Karta's PAN Card.
- Self Certified & Clear Copy of HUF and Karta's Address Proof.

**Sole Proprietorship:**

- Self Attested & Clear Copy of Proprietor's PAN Card.
- Self Certified & Clear Copy of Address Proof in the name of Firm.
- Self Certified & Clear Copy of two proofs of existence of the Firm.

**Partnership Firms:**

- Self Certified & Clear Copy of Partnership Firm's PAN Card.
- Self Certified & Clear Copy of Address Proof.
- Partnership Deed duly certified by all Partners.
- Letter of Consent signed by all Partners for opening and operating the Account.

**Corporate: (2 Set of All Copies)**

- Self Certified & Clear Copy of Company's PAN Card
- Self Certified & Clear Copy of Company's Address Proof.
- Certified Copy of Board Resolution on the company's Letter Head (Should be Dated)
- Certified Copy of MOA & AOA along with Certificate of Incorporation.
- List of Director & List of Authorized Signatories on the Company's Letter Head (Should be Dated)
- Self Attested & Clear Copy of PAN Card and Address Proof for all Director's and Authorized Signatories.
- Certified Copy of Form No 32 along with ROC Receipt.
- Certified Copy of Share Holding Pattern on the Company's Letter Head (Should be Dated)
- Certified Copy of Shareholding / Beneficial Ownership Declaration on the Company's Letter Head for holding more than 20% shares in Private Limited Company.
- Annual Reports of Last two years (Single Copy)

**\*\*\*Compulsory Documents for All Types of Account:**

1. Initial Pay in Cheque of Rs. \_\_\_\_\_/- to be obtained as processing fees for documentation (Account Holder name). This cheque should not be of Over Draft, Cash Credit and Current Account.
2. Two duly Signed Cheque in Favor of " \_\_\_\_\_ " for repayment towards loan amount

**Important Notes Applicable for all Cases:**

- > The signature of the Client across the document should match with PAN card and in case of any mismatch we need Signature Declaration of change in signature.
- > The Client signature must be similar across the Form & Documents provided.