

KYC POLICY

Preamble:

Reference DBR.AML.BC.No.81/14.01.001/2015-16 dated February 25, 2016 Master Direction - Know Your Customer (KYC) Direction, 2016, the Reserve Bank of India (RBI) has issued comprehensive 'Know Your Customer' (KYC) Guidelines to all Non-Banking Financial Companies (NBFCs) in the context of the recommendations made by the Financial Action Task Force (FATF) and Anti Money Laundering (AML) standards and Combating Financing of Terrorism (CFT) policies, as these being used as the International Benchmark for framing the stated policies, by the regulatory authorities. In view of the same, our Company has adopted the said KYC guidelines with suitable modifications depending on the activity undertaken by it. The Company has ensured that a proper policy framework on KYC and AML measures be formulated in line with the prescribed RBI guidelines and put in places duly approved by its Board of Directors.

Objectives, Scope and Application of the Policy:

The objective of KYC guidelines is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities. KYC procedures shall also enable the Company to know and understand its Customers and its financial dealings better which in turn will help it to manage its risks prudently. Thus, the KYC policy has been framed by the Company for the following purposes:

1. To prevent criminal elements from using the Company for money laundering activities
2. To enable the management of the Company to know/ understand its customers and their financial dealings better which, in turn, would help the Company to manage risks prudently
3. To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.
4. To comply with applicable laws and regulatory guidelines.
5. To ensure that the concerned staff are adequately trained in KYC/AML/CFT procedures. This KYC Policy is to be read in conjunction with related operational guidelines issued from time to time.

This Policy includes some key elements:

1. Customer Acceptance Policy (CAP)
2. Customer Identification Procedures (CIP)
3. Monitoring of Transactions
4. Risk management
5. Training Programme
6. Internal Control Systems
7. Appointment of Principal Officer
8. General

Definition of Customer

For the purpose of KYC policy a 'Customer' means a person as defined under KYC policy of RBI (and any amendment from time to time by RBI) which are at present as under:-

- A person or entity that maintains an account and/or has a business relationship with the Company;
- One on whose behalf the account is maintained (i.e. the beneficial owner)
- Beneficiaries of transactions conducted by professional intermediaries such as Stock

Brokers, Chartered Accountants, Solicitors etc. as permitted under the law

- Any other person or entity connected with a financial transaction which can pose significant reputation or other risks to the Company, say a wire transfer or issue of high value demand draft as a single transaction.

Key elements

1. Customer Acceptance Policy (“CAP”)

1. Customer Acceptance policy (CAP) lays down the criteria for acceptance of customers. The guidelines in respect of the customer relationship broadly includes the following:
 - a) No account is to be opened in anonymous or fictitious/benami name(s)/entity(ies)
 - b) Accept customers only after verifying their identity, as laid down in Customer Identification Procedures. Necessary checks before opening a new account are to be ensured so that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.
 - c) Classify customers into various risk categories and, based on risk perception, apply the acceptance criteria for each category of customers. Also, a profile of each customer will be prepared based on risk categorization. Customer requiring very high level of monitoring, e.g. Politically Exposed Persons (PEPs – as explained in Annexure I) may, if considered necessary, be kept in the High Risk Category.
 - d) Documentation requirements and other information to be collected in respect of different categories of Customers depending on perceived risk and compliances with Prevention of Money Laundering Act, 2002 (PMLA) and RBI guidelines.
 - e) Not to open an account or close an existing account (except as provided in this Policy), where identity of the account holder cannot be verified and/or documents/information required could not be obtained/confirmed, as per the risk categorization, due to noncooperation of the customer or non reliability of the data/ information furnished. Suitable built – in safeguards shall be provided to avoid any harassment to Customers.
 - f) Implementation of CAP should not become too restrictive and result in denial of services to general public, especially to those who are financially or socially disadvantaged.
 - g) The decision to open an account for Politically Exposed Person (PEP) should be taken at a senior level. It may, however, be necessary to have suitable built in safeguards to avoid harassment of the customer. For example, decision to close an account may be taken at a reasonably high level after giving due notice to the customer explaining the reasons for such a decision.
 - h) Circumstances, in which a customer is permitted to act on behalf of another person/entity shall be clearly spelt out in conformity with the established law and practice and shall be strictly followed so as to avoid occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in the fiduciary capacity.
2. The Company shall prepare a profile for each new customer during the credit appraisal based on risk categorization as mentioned in this policy. The customer profile shall contain the information relating to the customer’s identity, social/financial status, nature of business activity, information about his clients’ business and their location, etc. The nature and extent of due diligence will depend on the risk perceived by the Company. At the time of credit appraisal of the applicant the details are recorded along with his profile based on meeting with the applicant by our representative, apart from collection of applicable document, this will be as per the Credit/products norms as may be in practice. However, while preparing customer profile, the Company shall seek only such information from the customer which is relevant to the risk category and is not intrusive. Any other information from the customer should be sought separately with his/her consent and after opening the account. The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or for any other purposes.

3. As per KYC policy, for acceptance and identification, Customers shall be categorized based on perceived risk broadly into three categories – A, B & C. Category A includes high risk customers, Category B contain medium risk customers while Category C customers include low risk. None of the entities will be exempted from KYC procedure, irrespective of the status and relationship with Company or promoter. The above requirement may be moderated according to the risk perception.

2. Customer Identification Procedures (“CIP”)

1. Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. Company shall obtain sufficient information necessary to verify the identity of each new customer, wherever applicable, whether regular or occasional and the purpose of the intended nature of Business relationship. The requirement as mentioned herein may be moderated according to the risk perception like in the case of a public listed company it will not be necessary to identify all the shareholders.
2. Besides risk perception, the nature of information/documents required would also depend on the type of customer (individual, corporate etc). For customers that are natural persons, the Company shall obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph. For customers that are legal persons or entities, the Company shall
 - a. verify the legal status of the legal person/ entity through proper and relevant documents
 - b. verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person,
 - c. understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person. Customer identification requirements keeping in view the provisions applicable of Prevention of Money Laundering & its Rules and as per guidance note issued in this respect are indicated in Annexure I. An indicative list of the nature and type of documents/information that may be relied upon for customer identification is given in Annexure II. The Company will frame internal guidelines based on its experience of dealing with such persons/entities, normal prudence and the legal requirements.
3. The Company will formulate and implement a Client Identification Programme to determine the true identity of its clients keeping the above in view. The policy shall also cover the identification procedure to be carried out at different stages, i.e. while establishing a relationship; carrying out a financial transaction or when there is a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

3. Monitoring of Transactions:

Ongoing monitoring is an essential element of effective KYC procedures. Monitoring of transactions and its extent will be conducted taking into consideration the risk profile and risk sensitivity of the account. The Company shall make endeavors to understand the normal and reasonable activity of the customer so that the transactions that fall outside the regular/pattern of activity can be identified, Special attention will be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose. The Company may prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions which exceed these limits. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract the attention of the Company. Higher risk accounts shall be subjected to intense monitoring.

The Company shall set key indicators for such accounts basis the background of the customer, country of origin, sources of funds, the type of transactions involved and other risk factors which shall determine the extent of monitoring. The Company shall carry out the periodic review of risk categorization of transactions/customer's accounts and the need for applying enhanced due diligence measures at a periodicity of not less than once in six months. The Company shall explore the possibility of validating the new account opening applications with various watch lists available in public domain, including RBI watch list.

4. Risk Management

The Management under the supervision of the Board of Directors of the Company shall ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation. It will cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility will be explicitly allocated within the Company for ensuring that the policies and procedures as applicable to the Company are implemented effectively. The Company shall devise procedures for creating Risk Profiles of their existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship

5. Training Programme

The Company shall have an ongoing employee training programs so that the members of the staff are adequately trained in KYC/ AML/ CFT procedures. Training requirements shall have different focuses for front line staff, compliance staff and officer/ staff dealing with new customers so that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

6. Internal Control System

The Company's Internal Audit and Compliance functions will evaluate and ensure adherence to the KYC policies and procedures. As a general rule, the compliance function will provide an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements. The Management under the supervision of Board shall ensure that the audit function is staffed adequately with skilled individuals. Internal Auditors will specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard shall be put up before the Board or any Committee of the Board along with their normal reporting frequency. Further, the Company shall have an adequate screening mechanism in place as an integral part of their recruitment/ hiring process of personnel so as to ensure that person of criminal nature/ background do not get an access, to misuse the financial channel.

7. Appointment of Principal Officer

Company shall designate a senior employee as 'Principal Officer' (PO) who shall be located at the Head/Corporate office and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. PO shall maintain close liaison with enforcement agencies, NBFCs and any other institution which are involved in the fight against money laundering and combating financing of terrorism.

8. General

Reporting To Financial Intelligence Unit - India

The Company as per the proviso of Section 12 of PMLA wherever it notices a reason to believe that a single transaction or series of transactions are integrally connected to each other and have been valued below the prescribed value so as to defeat the provisions of this section, will furnish to the Director, FIU such

information/transaction after retaining a copy for records within the prescribed period at the following address:

Director, FIU-IND
Financial Intelligence Unit- India
6th Floor, Hotel Samrat
Chanakyapuri
New Delhi-110021

The company assures to strictly comply with all formalities including timely submission of all applicable report and returns in the prescribed format with regards to cash & suspicious transaction qualifying under PML Rules directly to FIU-IND through the designated Principal Officer(s) of the company. However, as had been earlier advised, there is no need for submission of NIL report in respect to the above. Further, the company and its employees shall maintain strict confidentiality of the fact of furnishing/reporting details of suspicious transactions.

Customer Education

Company shall educate Customers on the objectives of the KYC programme so that Customer understands and appreciates the motive and purpose of collecting such information. The front desk staff shall be specially trained to handle such situations while dealing with Customers.

Annexure-1 (KYC Documents)

For Individuals (for proof of identity)

- Aadhar Card
- Passport
- Pan Card
- Voter's Identity Card
- Driving Licence
- Identity card (subject to the bank's satisfaction)
- Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of bank
- any one document which provides customer information to the satisfaction of the Company will suffice

Correct Permanent Address

- Telephone bill
- Bank Account statement
- Letter from any recognized public authority
- Electricity bill
- Letter from employer (subject to satisfaction of the Company) (Any one document which provides customer information to the satisfaction of the Company will suffice) One recent passport size photograph except in case of transactions referred to in Rule 9(1)(b) of the PML Rules

Others

- Latest Bank Statements for three months
- Latest Income Tax Returns for past three years

For Companies

Proof of the name, address and activity of the concern
For all companies:

- Certificate of Incorporation and Memorandum & Articles of Association
- Resolution of the Board of Directors for acceptance of the transaction
- Copy of PAN
- List of Directors and Shareholders
- Certificate of Registration issued by RBI In case of a section 25 company
- Latest Bank Statements for three months
- Latest Income Tax Returns for past three years

For Trusts & Foundations

Names of trustees, settlers, beneficiaries and signatories

Names and addresses of the founder, the managers/directors and the beneficiaries

- Certificate of registration, if registered
- Power of Attorney granted to transact business on its behalf
- Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/ directors and their addresses
- Resolution of the managing body of the foundation/association
- Copy of PAN
- Latest Bank Statements for three months
- Latest Income Tax Returns for past three years

Accounts of Partnership Firms

Proof of the name, address and activity of the concern

Names of all partners and their addresses Telephone numbers of the firm and partners

- Registration certificate, if registered
- Partnership Deed
- Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf
- Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses
- Telephone bill in the name of firm/partners
- Copy of PAN
- Copy of Pan and Aadhar of the Partners
- Latest Bank Statements for three months
- Latest Income Tax Returns for past three years

Accounts of Proprietorship Concerns

Proof of the name, address and activity of the concern

- Registration certificate (in the case of a registered concern)
- Certificate/licence issued by the Municipal authorities under Shop & Establishment Act
- Copy of PAN
- Copy of PAN and Aadhar of the Proprietor
- Latest Bank Statements for three months
- Latest Income Tax Returns for past three years