FAITH FINANCIALS PRIVATE LIMITED

KYC AND AML POLICY

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Know Your Customer and Anti-Money Laundering Policy

1. INTRODUCTION:

Reserve Bank of India (hereinafter 'RBI'), one of the regulatory agencies entrusted with the responsibility of driving the anti-money laundering initiatives, has advised NBFCs to follow certain Customer identification procedures for opening of accounts and monitoring transactions of a suspicious nature for the purpose of reporting them to the appropriate authorities. RBI revisits these guidelines from time to time keeping in view the recommendations of Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT). RBI advises NBFCs to ensure that a proper Policy framework on 'Know Your Customer' (KYC) and Anti-Money Laundering measures with the approval of the Board is formulated and put in place.
Accordingly, **Faith Financials Pvt Limited ('Company')** has put in place a Know Your Customer (**KYC**) & Anti Money Laundering Policy **("Policy")** with the approval of the Board of Directors ("**Board**") in compliance with requirement of the Master Directions titled 'Know Your Customer (KYC) Directions, 2016' issued by the RBI dated 25th February, 2016 **('Master Directions').**

The intent of the Policy is to know and understand the Company's Customers and their financial dealings better which in turn shall help in managing the risks prudently and prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities. As per the aforementioned Master Directions, the Policy has the following four key elements:

- Customer Acceptance Policy(CAP)
- Risk management;
- Customer Identification Procedures (CIP); and
- Monitoring of Transactions.

2. DEFINATION:

a) **"Customer"** means a person who engages or is engaged in a financial transaction or activity with the Company and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

b) **Customer Due Diligence (CDD)"** means identifying and verifying the Customer and the Beneficial Owner using reliable and independent sources of identification.

Explanation – The CDD, at the time of commencement of an account-based relationship or while carrying out occasional transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or any international money transfer operations, shall include:

(a) Identification of the Customer, verification of their identity using reliable and independent sources of identification, obtaining information on the purpose and intended nature of the business relationship, where applicable
(b) Taking reasonable steps to understand the nature of the Customer's business, and its ownership and control;
(c) Determining whether a Customer is acting on behalf of a Beneficial Owner, and identifying the Beneficial Owner and taking all steps to verify the identity of the Beneficial Owner, using reliable and independent sources of identification

c) Officially Valid Document (OVD):

- **Officially Valid Document" (OVD)** means the passport, the driving licence, proof of possession of Aadhaar number, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government and/or letter issued by the National Population Register containing details of name and address.
  - ❖ where the Customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.
  - ❖ where the OVD furnished by the Customer does not have updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVDs for the limited purpose of proof of address:-
    i. utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
    ii. property or Municipal tax receipt;
    iii. pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
    iv. letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial
  - ❖ Banks, Financial Institutions and listed companies and leave and licence agreements with such employers allotting official accommodation; the Customer shall submit OVD with current address within a period of three months of submitting the documents specified at above
  - ❖ where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

Explanation: For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.

d) **Suspicious transaction"** means a "transaction" as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith:

a. gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
b. appears to be made in circumstances of unusual or unjustified complexity; or
c. appears to not have economic rationale or *bona-fide* purpose; or
d. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

Explanation: Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.

3. POLICY OUTLINE:

a) Specifying the 'Senior Management' for the purpose of KYC Compliance:

a. The Board has identified Principal Officer who shall be responsible for ensuring the KYC compliance.

b) Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures:

a. The Board or any other committee to whom the power has been delegated by the Board shall carry out concurrent/ internal audit on a quarterly basis, to verify the compliance with this Policy and procedures laid herein.

c) Submission of quarterly audit notes and compliance:

The aforesaid audit report shall thereafter be submitted to the Board of Directors for their review and comments.

4. CUSTOMER ACCEPTANCE POLICY (CAP) & RISK MANAGEMENT:

For the purpose of this Policy, a "Customer" means any person, as defined in the RBI's Master Directions on 'Know Your Customer' and Anti-Money Laundering Measures, as amended from time to time. For the purpose of clarification, it may be noted that

The guidelines for Customer Acceptance Policy (CAP) for the Company are as given below:

- The Company shall not open any account on fictitious/ benami name(s).
- The Company shall have in place a standard Customer identification procedure specified here in and the same should be adhered to before opening an account.
- The Company shall not open an account in cases where it is unable to carry out appropriate Customer Due Diligence (CDD) measures due to non-cooperation by the Customer or non-reliability of the documents/ information furnished by him/her.
- Customer Due Diligence (CDD) means identifying and verifying the Customer and the BO using 'Officially Valid Documents' (OVD) as a 'proof of identity' and a 'proof of address. The Company shall carry out offline verification of a Customer if he is desirous of undergoing Aadhaar offline verification for identification purpose. Offline

verification maybe carried out through the modes recognized by the Unique Identification Authority of India (UIDAI) i.e. using the QR Code or a digitally signed XML.

- While collecting any OVD, the Company shall ensure to obtain the Certified Copy of the OVD. For the purpose of this Policy, 'Certified copy of OVD" shall mean Certified Copy of OVD as defined in the Master Directions. In case of resident individuals, obtaining a certified copy shall mean comparing the copy of officially valid documents so produced by the Customer with the original and recording the same on the copy by the authorised officer of the Company.
- The Company shall, where Customer submits his Aadhaar number, ensure such Customer to redact or blackout his Aadhaar number through appropriate means.
- The Company shall not undertake transaction or accounts based relationship without following the CDD procedure.
- The Company shall ensure that documents and other information is obtained from the Customer depending on perceived risk and keeping in mind the requirements of Prevention of Money Laundering (PML) Act, 2002 and guidelines issued by RBI from time to time.
- The Company shall specify the mandatory information to be sought for KYC purpose while opening the account and during the periodic updation.
- Additional information, where such information requirement has not been specified in this policy , is obtained with the explicit consent of the customer.The Company shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant Customer of a Company desires to open another account or avail any other product or service from the same Company , there shall be no need for a fresh CDD exercise as far as identification of the Customer is concerned.
- CDD procedure shall be followed for all co-borrowers while entering into a co-borrowing transaction.
- The Company shall have in place a risk strategy. Each Customer should be classified into the appropriate risk category after considering the background of the Customer.
- Risk categorisation shall be undertaken based on parameters such as Customer's identity, social/financial status, nature of business activity, and information about the Customer's business and their location, geographical risk covering Customers as well as transactions, type of products/services offered, delivery channel used for delivery of products/services, types of transaction undertaken – cash, cheque/monetary instruments, wire transfers, forex transactions, 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. The risk categorisation of a Customer and the specific reasons for such categorisation shall be kept confidential and shall not be revealed to the Customer to avoid tipping off the Customer. 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 Company. These requirements may be moderated according to the risk perception. risk categorisation of the Customer will be done as under:

(i) High Risk – (Category A):

- High risk Customers typically will include:

a. Individuals and entities listed or identified in – various United Nations' Security Council Resolutions (UNSCRs) such as UN 1267, schedule to the order under section 51A of the Unlawful Activities (Prevention) Act, 1967, in watch lists issued by Interpol and other similar international organizations, regulators, FIU and other competent authorities as high-risk etc.;

b. Customers conducting their business relationship or transactions in unusual circumstances, such as significant and unexplained geographic distance between the institution and the location of the Customer, frequent and unexplained movement of accounts to different institutions, etc.;

c. Non – resident Customers (excluding applicants for retail education loans)

d. High net worth individuals without an occupation track record of more than 3 years

e. Trust, charitable organizations, Non Government organization (NGO), organizations receiving donations (Excluding applicants / Beneficial Owners who are running affiliated education institutions) – Refer Annexure I

f. Firms with sleeping partners

g. Politically exposed persons (PEPs) of Indian/ foreign origin, Customers who are close relatives of PEPs and accounts of which a PEP is the ultimate Beneficial Owner

h. Customers with dubious reputation as per public information available or commercially available watch lists.

i. Gambling/gaming including "Junket Operators" arranging gambling tours;

j. Jewellers and Bullion Dealers;

k. Dealers in high value or precious goods (e.g. gem and precious metals dealers, art and antique dealers and auction houses, estate agents and real estate brokers);

l. Customers engaged in a business which is associated with higher levels of corruption (e.g., arms manufacturers, dealers and intermediaries;

m. Customers that may appear to be Multi-level marketing companies etc.

n. Any borrower/co-borrower working in a country identified as high risk.

(ii) Medium Risk – (Category B):

Medium risk Customers typically will include:

a. Trust, charitable organizations, Non (NGO), organizations receiving donations (i.e. applicants / Beneficial Owners who are running affiliated education institutions)

b. Salaried applicant with variable income/ unstructured income receiving Salary in cheque

c. Salaried applicant working with Private Limited Companies related to travel agents, telemarketers, internet café and International direct dialing (IDD) call service.

d. Self employed professionals other than HNIs (excluding applicants for retail education loans)

e. High net worth individuals with occupation track record of more than 3 years

f. One of more borrowers resident outside India (excluding student going abroad to study)

g. Companies having close family shareholding or Beneficial Ownership.

h. Non face to face to Customers (Refer Annexure I)

(iii) Low Risk – (Category C):

Low risk Customers typically will include:

a. Salaried employees with well defined salary structures

b. People working with government owned companies, regulators and statutory bodies, etc.

c. People belonging to lower economic strata of the society whose accounts show small balances and low turnover

d. People working with Public Sector Units

e. People working with reputed Public Limited Companies and Multinational Companies

f. All borrowers resident in India (including student going abroad to study)

g. Low risk individuals (other than high net worth) and entities whose identities and sources of wealth can be easily identified and all other person not covered under above two categories.

- In case of proprietorship firms, in addition to the Proprietor's ID, the Firm's ID (business proof) also would be obtained at least through two documents such as Income Tax Return (ITR), Import Export Code/Utility bill/Permit by local authority etc.
- In the event, the Customer is permitted to act on behalf of another person/entity, the Company shall verify that the Customer has the necessary authority to do so by scrutinizing the authorizing document/s.
- The Company shall ensure that proper profiling is done with respect to the Customers.
- The Company shall ensure 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. For this purpose, the Company shall, among other things, refer the "ISIL (Da'esh) &Al-Qaida Sanctions List"1 and the "1988

Sanctions List", consisting of individuals (Section A of the consolidated list) and entities (Section B) associated with the Taliban.

- Where Company forms a suspicion of money laundering or terrorist financing, and it reasonably believes that performing the CDD process will tip-off the Customer, it shall not pursue the CDD process, and instead file an Suspicious Transactions Report (STR) with Financial Intelligence Unit-India (FIU-IND).
- Further, the CAP shall not result in exclusion of general public, especially the financially and socially disadvantaged.
- Based on the risk categorization, the Company shall undertake following Customer acceptance procedure on a case to case basis:

5. CUSTOMER IDENTIFICATION PROCESS:

- Customer identification means identifying the Customer and verifying his/her identity by using reliable, independent source documents, data or information. This Policy clearly spells out the Customer Identification Procedure to be carried out at the time of establishing an account. The Company shall undertake identification of Customers in the following cases:
    - ❖ Commencement of an account-based relationship with the Customer.
    - ❖ When there is a doubt about the authenticity or adequacy of the Customer identification data it has obtained.
    - ❖ Company shall ensure that introduction is not to be sought while opening accounts.
- The authorized representative, while conducting verification, shall satisfy itself that the address contained in the OVD is the updated or current address of the Customer. If the OVD does not contain current address of the Customer, a proof of current address such as a utility bill, property tax receipt, pension or family Pension Payment Orders (PPOs) or other documents as mentioned in the **Master Directions** shall be obtained from the Customer, which shall be deemed to be OVD for the purpose of serving as a proof of address.
- Further, the Company shall obtain from the Customer, an OVD with current address within three months of submitting the aforementioned documents.
- The authorized representative also would have the process of allotting a Unique Customer Identification Code (UCIC) for easy identification of all the relationships of any Customer with the Company.
- Information collected for the purpose of opening an account would be kept as confidential and would not be divulged to outsiders for cross selling or any other purpose other than for the statutory requirement of sharing the Customer account
- Details with at least all the Credit Information Companies (CICs) approved by RBI. Information sought from the Customer would be relevant to the perceived risk and would not be intrusive.
- For the purpose of verifying the identity of Customers and the associated documents/information, the Company, may rely on a third party. However, the ultimate responsibility for Customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the Company.
- Decision-making functions of determining compliance with KYC norms shall not be outsourced.
- The Beneficial Owner in the case of trust, partnership and joint stock companies would be reckoned in the manner described in para 3 of this Policy.

- If the OVD submitted by the Customer at the time of KYC includes both address and identity proof then he is not required to submit additional OVD.
- In case it is observed that the address mentioned as per 'proof of address' has undergone a change, Company shall ensure that fresh proof of address is obtained within a period of six months.
- Documentation requirements and other information is to be collected in respect of different categories of Customers depending on perceived risk and keeping in mind the requirements of PML Act, 2002 and guidelines issued by RBI from time to time.
- The Company shall not start a business transaction where the Company is unable to apply appropriate CDD measures i.e. the Company is unable to verify the identity and /or obtain documents required as per the risk categorisation due to non-cooperation of the Customer or non-reliability of the data/information furnished to the Company.
- The Company shall capture the KYC information for sharing with the Central KYC Records Registry 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. Further, an online portal was set up in order to facilitate storage of the KYC documents on a centralized manner which was implemented vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015. In this regard the Company will take necessary steps to upload the KYC documents in the online portal with the Central KYC Registry within ten days after the commencement of an account-based relationship with a client.

6. MONITORING OF TRANSACTIONS:

- The Company shall undertake on-going due diligence of Customers so as to ensure that the transactions carried out by them are in line with the knowledge available to them about the Customer, his risk profile, and the source of funds.
- The extent of monitoring an account shall be aligned with the risk category of the Customer.
- The Company shall maintain proper record of all cash transactions of Rs.10 lakh and above and have in place internal monitoring system.
- In case of such unusual transactions that fall outside the regular pattern of activity, the Company shall strive to have an understanding of the normal and reasonable activity of the Customer through personal visits and by observing the transactions and conduct
  of the borrower account.
- The following list of transactions, will be regularly monitored by the Company:
  - ❖ 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.
  - ❖ Transactions which exceed the thresholds prescribed for specific categories of accounts.
  - ❖ High account turnover inconsistent with the size of the balance maintained.
  - ❖ Deposit of third-party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.
- The extent of monitoring shall be aligned with the risk category of the Customer. A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.

7. IDENTIFICATION OF BENEFICIAL OWNER

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

- Where the Customer or the owner of the controlling interest is (i) an entity listed on a stock exchange in India, or (ii) it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions, or (iii) it is a subsidiary of such listed entities; it is not necessary to identify and verify the identity of any shareholder or Beneficial Owner of such entities.
- 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. For this purpose defination of Beneficial Owner **("BO")** is as under:

A "**Beneficial Owner" ('BO')** means:

a) Where the **Customer is a Company**, the Beneficial Owner is the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has/have a controlling ownership interest or who exercise control through other means. For the purpose of this clause-
   - ❖ **Controlling ownership interest"** means ownership of/entitlement to more than 10 percent of the shares or capital or profits of the Company.
   - ❖ **"Control"** shall include the right to appoint majority of the directors or to control the management or Policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

b) Where the **Customer is a partnership firm**, the Beneficial Owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 10 percent of capital or profits of the partnership or who exercises control through other means.

   For the purpose of this clause, "Control" shall include the right to control the management or Policy decision

c) Where the **Customer is an unincorporated association or body of individuals**, the Beneficial Owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 percent of the property or capital or profits of the unincorporated association or body of individuals.

   Term 'body of individuals' includes societies. Where no natural person is identified under (a), (b) or (c) above, the Beneficial Owner is the relevant natural person who holds the position of senior managing official.

d) Where the Customer is a **trust**, the identification of Beneficial Owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 10 percent or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

8. ENHANCED DUE DILIGENCE PROCEDURE

- **Enhanced Due Diligence (EDD) for non-face-to-face Customer onboarding (other than Customer onboarding:**

  Non-face-to-face onboarding facilitates the Company's to establish relationship with the Customer without meeting the Customer physically or through Video based Customer Identification Process (V-CIP)s. Such non-face-to-face modes for the purpose of this paragraph includes use of digital channels such as Central KYC Records Registry (CKYCR,) DigiLocker, equivalent e-document, etc., and non-digital modes such as obtaining undertaken by Company's for non-face-to-face Customer onboarding (other than Customer onboarding :

  - ❖ In case Company has introduced the process of V-CIP, the same shall be provided as the first option to the Customer for remote onboarding. It is reiterated that processes complying with prescribed standards and procedures for V-CIP shall be treated on par with face-to-face CIP for the purpose of this Master Direction.
  - ❖ In order to prevent frauds, alternate mobile numbers shall not be linked post CDD with such accounts for transaction OTP, transaction updates, etc. Transactions shall be permitted only from the mobile number used for account opening. Company shall have a Board approved Policy delineating a robust process of due diligence for dealing with requests for change of registered mobile number.
  - ❖ Apart from obtaining the current address proof, Company shall verify the current address through positive confirmation before allowing operations in the account. Positive confirmation may be carried out by means such as address verification letter, contact point verification, deliverables, etc.
  - ❖ Company shall obtain Permanent Account Number ("**PAN"**) from the Customer and the PAN shall be verified from the verification facility of the issuing authority.
  - ❖ First transaction in such accounts shall be a credit from existing KYC-complied bank account of the Customer.
  - ❖ Such Customers shall be categorized as high-risk Customers and accounts opened in non-face to face mode shall be subjected to enhanced monitoring until the identity of the Customer is verified in face-to-face manner or through V-CIP.
  - ❖ Indicative list of the nature and type of documents/information that may be relied upon for customer due diligence / identification is given in **Annexure I**.

- **Accounts of Politically Exposed Persons (PEPs)**

Company shall have the option of establishing a relationship with PEPs (whether as Customer or Beneficial Owner) provided that, apart from performing normal Customer due diligence:

  - ❖ Company have in place appropriate risk management systems to determine whether the Customer or the Beneficial Owner is a PEP;
  - ❖ Reasonable measures are taken by the Company's for establishing the source of funds / wealth;
  - ❖ the approval to open an account for a PEP shall be obtained from the senior management;

- ❖ all such accounts are subjected to enhanced monitoring on an on-going basis;
- ❖ in the event of an existing Customer or the Beneficial Owner of an existing account subsequently becoming a PEP, senior management's approval is obtained to continue the business relationship;
- ❖ These instructions shall also be applicable to family members or close associates of PEPs.

Explanation: For the purpose of this paragraph, "Politically Exposed Persons" (PEPs) are individuals who are or have been entrusted with prominent public functions by a foreign country, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials.

9. REPORTING OF TRANSACTIONS TO FIU-IND:

- The Company will maintain proper record and furnish to the Director, FIU-IND, all transactions/information prescribed in Rule 3 of the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 in terms of Rule 7 thereof.
- All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency and all series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency, which if taken together, amount to more than rupees ten lakhs, where such series of transactions have taken place within a month Cash Transactions Report (CTR) shall be reported to FIU-IND within 15th day of the succeeding month.
- All such transactions, as specified in para above, would be reported to and reviewed by Principal Officer who would enquire into the matter and decide whether the transaction would qualify to be termed as a suspicious transaction. When it is believed that we no longer are satisfied that we know the true identity of the account holder, STR would be filed with FIU-IND. The Principal Officer would file the Suspicious Transaction Report with the Director, Financial Intelligence Unit-India (FIU-IND) within 7 days of identifying them. After filing STR, transactions would be allowed to be continued in the account unhindered and the Customer would not be tipped in any manner. An indicative list of suspicious transactions is enclosed as **Annexure II.**
- All CTR/STR would be filed electronically or as per the norms stipulated by FIU-IND from time to time. The STR would be filed even for attempted transactions.
- . The following documents/ records would be held for a period of 5 years:
    - ❖ Records with respect to the cash transactions of value of more than Rs. 10 lacs
    - ❖ Records with respect to series of cash transactions integrally connected to each other taken together amounting to more than Rs.10 lacs within a month
    - ❖ Records with respect to transactions where counterfeit currency notes have been used
    - ❖ Records with respect to all suspicious transactions
    - ❖ KYC documents after the business relationship has ended.
- The documents/ records maintained would hold the following information
    - ❖ Nature of the transaction;
    - ❖ Amount of the transaction;
    - ❖ Date on which the transaction was conducted; and
    - ❖ The parties involved in the transaction.

10. RECORD MANAGEMENT

The following steps shall be taken regarding maintenance, preservation and reporting of Customer information, with reference to provisions of PML Act and Rules. Company shall:

- 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;
- 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;
- make available swiftly, the identification records and transaction data to the competent authorities upon request;
- maintain records of the identity and address of their Customer, and records in respect of transactions referred to in Rule 3 in hard or soft format.

Explanation. – For the purpose of this paragraph, the expressions "records pertaining to the identification", "identification records", etc., shall include updated records of the identification data, account files, business correspondence and results of any analysis undertaken.

11. . CUSTOMER EDUCATION:

Implementation of KYC procedures can sometimes lead to a lot of questioning by the Customer as to the motive and purpose of collecting such information. Therefore, the Company will take necessary steps, as may be required, to educate the Customer of the objectives of the KYC programme.

12. APPOINTMENT OF PRINCIPAL OFFICER:

- Director of the Company has been appointed as the Principal Officer in compliance with Rule 2 (f) of the Maintenance of Record Rules of the PMLA.
- The Principal Officer, under the supervision and guidance of the Designated Director, shall be responsible to ensure overall compliance specified under the Act and the Rules/Regulations thereunder.

The Principal Officer would perform the following duties:

- ❖ Develop effective AML programs, including training programs
- ❖ Assist the business in assessing how the system can be abused
- ❖ Identify suspicious activity
- ❖ Monitor implementation of this Policy
- ❖ Submit reports to statutory bodies and management

13. APPOINTMENT OF DESIGNATED DIRECTOR:

Director of the Company has been appointed as the Designated Director in compliance with Rule 2 (ba) of the Maintenance of Record Rules of the PMLA. The Designated

Director shall be responsible to ensure overall compliance specified under the Act and the Rules/ Regulations thereunder.

14. APPOINTMENT OF THIRD PARTY:

The Company may, at its discretion, 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:

- The appointment of such third party is in accordance with the outsourcing Policy of the Company.
- Records or the information of the Customer due diligence carried out by the third party is obtained immediately from the third party or from the Central KYC Records Registry
- Necessary information of such Customers' due diligence that is carried out by the third party is immediately obtained by the Company.
- Adequate steps are taken by the Company 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.
- 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.
- The third party shall not be based in a country or jurisdiction assessed as high risk.
- The ultimate responsibility for Customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the Company.

15. PERIODICUPDATION:

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 conditions:

- Fresh proofs of identity and address shall not be sought at the time of periodic updation, from Customers who are categorised as 'low risk',when there is no change in status with respect to their identities and addresses and a self-certification to that effect is obtained.
- A certified copy of the proof of address forwarded by 'low risk' Customers through mail/post, etc., in case of change of address shall be acceptable.
- Physical presence of low risk Customer at the time of periodic updation shall not be insisted upon.
- The time limits prescribed above would apply from the date of opening of the account/last verification of KYC.
- Fresh photographs shall be obtained from Customer for whom account was opened when they were minor, on their becoming a major.

16. AUDIT:

- The Board of the Company shall ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensure their effective implementation;

- Internal audit and compliance function would evaluate and ensure adherence to the KYC policies and procedures and provide independent evaluation of Company's own policies and procedures, including legal and regulatory requirements.
- Concurrent/ Internal Auditors shall 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 would be put up before the Board on quarterly basis;
- The Company shall have an on-going employee training programme with different focuses for frontline staff, compliance staff and staff dealing with new Customers and educating them with respect to the objectives of the KYC Programme.

17. POLICY REVIEW:

- This Policy must be reviewed at least once in a financial year or at such intervals as may be deemed necessary by the Board of Directors.

ANNEXURE I

Official Valid Document

For opening an account, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained from:

Individual or while dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:

- Aadhar Number
- KYC Identifier with an explicit consent to download records from CKYCR;
- Income Tax PAN Card or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962;
- the proof of possession of Aadhaar number where offline verification can be carried out; or
- the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address;
- such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof.

Company:

- Certificate of incorporation
- Memorandum and Articles of Association
- Permanent Account Number of the Company
- A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
- Documents, as specified herein above, relating to Beneficial Owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the Company's behalf
- Documents, as specified herein above, relating to Beneficial Owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the Company's behalf
- The names of the relevant persons holding senior management position; and
- Address of the registered office and the principal place of its business, if it is different.

Partnership Firm:

- Registration certificate
- Partnership deed
- Permanent Account Number of the partnership firm
- Documents, as specified herein above, relating to Beneficial Owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf
- the names of all the partners and address of the registered office, and the principal place of its business, if it is different.

Trust:

- Registration certificate
- Trust deed
- Permanent Account Number or Form No.60 of the trust
- Documents, as specified herein above, relating to Beneficial Owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf
- the names of the beneficiaries, trustees, settlor, protector, if any and authors of the trust
- the address of the registered office of the trust; and
- list of trustees and documents, as specified herein above, for those discharging the role as trustee and authorised to transact on behalf of the trust.

Unincorporated Association or a Body of Individuals

- Resolution of the managing body of such association or body of individuals
- Permanent Account Number or Form No. 60 of the unincorporated association or a body of individuals
- Power of attorney granted to transact on its behalf
- Documents, as specified in paragraph 16, relating to Beneficial Owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf and
- Such information as may be required by the RE to collectively establish the legal existence of such an association or body of individuals.
  Explanation: Unregistered Trusts/Partnership Firms shall be included under the term 'Unincorporated association'.
  Explanation: Term 'Body of Individuals' includes societies.

Juridical Person (not specifically covered in the earlier part) such as societies, universities and local bodies like village panchayats, etc., or who purports to act on behalf of such juridical person or individual or trust

- Document showing name of the person authorised to act on behalf of the entity
- Documents, as specified herein above, of the person holding an attorney to transact on its behalf and
- Such documents as may be required by the Company to establish the legal existence of such an entity/juridical person.

ANNEXURE II

A. Broad categories of reason for suspicion and examples of suspicious transactions are indicated as under:

- **Identity of client**
    - ❖ False identification documents
    - ❖ Identification documents which could not be verified within reasonable time
    - ❖ Accounts opened with names very close to other established business entities

- **Background of client**
    - ❖ Suspicious background or links with known criminals

- **Multiple accounts**
    - ❖ Large number of accounts having a common account holder, introducer or authorized signatory with no rationale

- **Activity in accounts**
  Unusual activity compared with past transactions

- **Nature of transactions**
    - ❖ Unusual or unjustified complexity
    - ❖ Involves proceeds of an criminal / illegal activity, regardless of the value involved
    - ❖ No economic rationale or bonafide purpose
    - ❖ Frequent purchases of drafts or other negotiable instruments with cash
    - ❖ Nature of transactions inconsistent with what would be expected from declared business
    - ❖ Reasonable ground of suspicion that it may involve financing of activities relating to terrorism and/or account holder / beneficial owner linked or related to terrorist, terrorist organization or those who finance or attempt to finance terrorist activities.

- **Value of transactions**
    - ❖ Value just under the reporting threshold amount in an apparent attempt to avoid reporting
    - ❖ Value inconsistent with the client's apparent financial standing

B. Illustrative list of Suspicious Transactions

- ❖ Reluctant to part with information, data and documents
- ❖ Submission of false documents, purpose of loan and detail of accounts
- ❖ Reluctance to furnish details of source of funds of initial contribution
- ❖ Reluctance to meet in person, representing through power of attorney
- ❖ Approaching a distant branch away from own address
- ❖ Maintaining multiple accounts without explanation
- ❖ Payment of initial contribution through unrelated third party account
- ❖ Suggesting dubious means for sanction of loan
- ❖ Where transactions do not make economic sense
- ❖ Where doubt about beneficial ownership

- Encashment of loan through a fictitious bank account
- Sale consideration quoted higher or lower than prevailing area prices
- Request for payment in favor of third party with no relation to transaction
- Usage of loan amount for purposes other than stipulated in connivance with vendors, or agent
- Frequent request for change of address
- Overpayment of installments with a request to refund the overpaid amount
- Approvals/sanctions from authorities are proved to be fake
- Overpayment of installments with a request to refund the overpaid amount