

# **KNOW YOUR CUSTOMER POLICY**

**RattanIndia Finance Private Limited**

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# Know Your Customer Policy

## 1. Background

- 1.1. 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 procedure for opening of accounts and monitoring transactions of a suspicious nature for the purpose of reporting it to appropriate authority. 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).
- 1.2. RBI advised NBFCs to ensure that a proper policy framework on 'Know Your Customer' and Anti-Money Laundering measures with the approval of the Board is formulated and put in place. Accordingly, RattanIndia Finance Private Limited ('Company') has put in place a Know Your Customer (KYC) & Anti Money Laundering Policy with the approval of the Board in compliance with requirement of the Master Directions titled 'Know Your Customer (KYC) Directions, 2016' issued by the RBI dated 25<sup>th</sup> February, 2016<sup>1</sup> ('Master Directions').
- 1.3. 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.
- 1.4. As per the aforementioned Master Directions, the policy has the following four key elements:
  - 1.4.1. Customer Acceptance Policy;
  - 1.4.2. Risk management;
  - 1.4.3. Customer Identification Procedures (CIP); and
  - 1.4.4. Monitoring of Transactions.

## 2. Policy Outline

- 2.1. Specifying the 'Senior Management' for the purpose of KYC Compliance:

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<sup>1</sup> [https://www.rbi.org.in/Scripts/BS\\_ViewMasDirections.aspx?id=10292](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10292)

The Board has identified Mr Ram Kumar as the Senior Management who shall be responsible for ensuring compliance with the Policy and the guidelines/ directions issued by RBI from time to time.

- 2.2. Allocation of responsibility for effective implementation of policies and procedures:  
The Sales, Credit and Operations team of the Company shall be responsible for ensuring the effective implementation of this Policy and the procedures laid herein.
- 2.3. Independent evaluation of the compliance functions of the Company’s policies and procedures, including legal and regulatory requirements:  
The Senior Management shall carry out regular evaluation of the compliance functions prescribed under this Policy and guidelines/ directions issued by the RBI in this regard from time to time. Any non-compliance or deviation shall accordingly be reported to the Board.
- 2.4. Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures:  
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.
- 2.5. Submission of quarterly audit notes and compliance to the Audit Committee:  
The aforesaid audit report shall thereafter be submitted to the Audit Committee for their review and comments.

### 3. Customer Acceptance Policy

- 3.1. 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 “Customer” means a person who 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.
- 3.2. A “beneficial owner” (‘BO’) in relation to a Customer is a person or an entity who is to be considered a beneficiary of the financial transaction entered in to with the Company by the Customer. A list of persons who are to be considered as such BOs in relation to a Customer is given below:

Type of Customer	Persons to be considered Beneficial Owners (BOs)
Public / Private Limited Companies	a) A natural person having, whether alone or together, or through one or more juridical person, ownership of or entitlement to more than twenty-five percent of shares or capital or profits of the company; or

	<p>b) A natural person having, whether alone or together, or through one or more juridical person, 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; or</p> <p>c) Where none of the above is been identified – a natural person who holds the position of senior managing official.</p>
Partnership Firm	<p>a) A natural person having, whether alone or together, or through one or more juridical person, ownership of/ entitlement to more than fifteen percent of capital or profits of the partnership; or</p> <p>b) Where the above is not been identified – a natural person who holds the position of senior managing official</p>
Unincorporated association of persons or body of individuals	<p>a) A natural person having, whether alone or together, or through one or more juridical person, ownership of/ entitlement to more than fifteen percent of property or capital or profits of such association or body of individuals (including societies); or</p> <p>b) Where the above is not been identified – a natural person who holds the position of senior managing official</p>
Trust/ Foundation	<p>a) The Author of the trust; or</p> <p>b) The Trustees of the trust; or</p> <p>c) The Beneficiaries of the trust with fifteen percent or more interest in the trust; or</p> <p>d) A natural person exercising ultimate effective control over the trust through a chain of control or ownership</p>
<p>Where the Customer or the owner of the controlling interest is a company listed on a recognized 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.</p>	
<p>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.</p>	

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

- 3.3.1. The Company shall not open any account on fictitious/ benami name(s).
- 3.3.2. The Company shall have in place a standard customer identification procedure (specified in Para 5 below) and the same should be adhered to before opening an account.

- 3.3.3. 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. 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'. Here, OVD means any one of the six OVDs submitted by the Customer, as mentioned herein below:
- 3.3.3.1. the passport,
  - 3.3.3.2. the driving license,
  - 3.3.3.3. the Permanent Account Number (PAN) Card,
  - 3.3.3.4. the Voter's Identity Card issued by the Election Commission of India,
  - 3.3.3.5. job card issued by NREGA duly signed by an officer of the State Government,
  - 3.3.3.6. letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number.
- 3.3.4. The Company shall not undertake transaction or accounts based relationship without following the CDD procedure.
- 3.3.5. 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
- 3.3.6. The Company shall specify the mandatory information to be sought for KYC purpose while opening the account and during the periodic updation.
- 3.3.7. The Company shall obtain the explicit consent of the consumer for optional/additional information after the account is opened.
- 3.3.8. CDD procedure shall be followed for all co-borrowers while entering into a co-borrowing transaction.
- 3.3.9. The Customer shall be permitted to act on behalf of another person/entity in the following circumstances:
- 3.3.9.1. In the following circumstances, the account may be operated by a mandate holder or the account may be opened by an intermediary in a fiduciary capacity hence the customer is permitted to act on behalf of another person/entity, in conformity with the established law and practices:
    - a. if applicant is NRI/PIO
    - b. if applicant is a limited company
    - c. if applicant is a partnership firm
  - 3.3.9.2 Any other circumstance where it is not possible for the applicant to be present at the branch location physically available. Necessary checks before any loan disbursement will be carried out through FI agency to 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.

- 3.3.10. The Company shall have in place a risk strategy. Each customer should be classified in to the appropriate risk category after considering the background of the customer, the nature of his business, the location of his business, the locations from where majority of his business, financial / social standing of the customer, amount involved in the financial transaction etc. based on risk categorization; containing information on the customer's identity, nature of business activity. (specified in Para 4 below)
- 3.3.11. In case of proprietorship firms, in addition to the proprietor's identity document, the firm's identity document (business proof) would also be obtained at least through two documents such as ITR, Import/Export Code/Utility bill/Permit by local authority etc.
- 3.3.12. In the case of firms reconstituted and the companies that changed the name within the past two years, the CDD would be enhanced.
- 3.3.13. The Company shall ensure that proper profiling is done with respect to the Customers
- 3.3.14. 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.
- 3.4. Further, the CAP shall not result in exclusion of general public, especially the financially and socially disadvantaged.
- 3.5. Based on the risk categorization, the Company may undertake following customer acceptance procedure on a case to case basis:
  - 3.5.1. Internal dedupe - Checking the internal records of the Company to confirm about any past dealings of the customer with the Company either as borrower, co-borrower or guarantor;
  - 3.5.2. External dedupe – Verifying with the data base maintained by at least one RBI approved credit information bureau;
  - 3.5.3. Field investigation of customer's residence and office- Neighborhood check;
  - 3.5.4. Trade reference check in the case of commercial lending;
  - 3.5.5. Tele verification with the customer and underwriting.

## **4. Risk Management**

- 4.1. The Company shall have a risk-based approach that categorizes the customers in the following risk class as per the assessment and risk perception of the Company:
  - 4.1.1. Low Risk
  - 4.1.2. Medium Risk
  - 4.1.3. High Risk

4.2. The risk categorization shall be based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the clients' business and their location etc. The ability to verify the identity documents through online or other services offered by the issuing authorities shall also be factored in at the time of considering the customer's identity.

#### Low Risk:

Individuals and entities whose identities and source of Income and wealth can be easily identified, and transactions largely confirm to known profile are to be categorized as low risk. Illustrative list of customers who could be categorized as Low Risk Profile are:

- salaried employees whose salary structures are well defined and is credited to bank account or paid through other banking channels
- people belonging to lower economic strata of the society whose accounts show small balances and low turnover,
- People working with Government departments & Government owned companies, regulators and statutory bodies
- People working with Public Sector units
- Corporates listed on any stock exchange in India

#### Medium Risk:

Medium Risk Profile customers could include

- salaried customers with variable or unstructured income
- self-employed professionals
- self-employed customers with track record for a reasonable period
- high net worth individuals with occupational track record of more than 2 years
- trusts, charities, NGOs and organizations receiving donations,
- companies having close family shareholding or beneficial ownership like private limited companies

#### High Risk:

Customers that are likely to pose higher than average risk to us will be categorized as High-Risk customers. In such cases enhanced due diligence measures will be applied as per credit risk policy and operational guidelines of the company. Examples of accounts that can be categorized as High-Risk Profile:

- non-resident customers
- politically exposed persons (PEPs) of foreign origin,
- firms with 'sleeping partners'
- high net worth individuals without any occupational track record of more than 2 years;



- non-face to face customers;
- those with dubious reputation as per public information available, etc.

4.3. The risk categorization would be reviewed based on the collection feedback and enhanced due diligence measures would be applied in case of higher risk perception on a customer.

## **5. Customer Identification Process**

5.1. The 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 is required to ensure that:

- 5.1.1. The authorized representative of the Company shall obtain the KYC documents whenever there is doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.
- 5.1.2. If Aadhaar card is taken as KYC, the authorized representative shall satisfy itself about current address by obtaining required proof. The authorized representative also would have the process of allotting Unique Customer Identification Code (UCIC) for easy identification of all the relationships of any customer with the Company.
- 5.1.3. Information collected for the purpose of opening of 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 one credit information agency approved by RBI. Information sought from the customer would be relevant to the perceived risk and would not be intrusive.
- 5.1.4. 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.
- 5.1.5. Decision-making functions of determining compliance with KYC norms shall not be outsourced.
- 5.1.6. The beneficial owner in the case of trust, partnership and joint stock companies would be reckoned in the manner described in para 3.2 of this Policy.
- 5.1.7. 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.
- 5.1.8. In cases where the current address of the customer differs from the one stated in the OVD, the Company shall merely obtain a declaration from the customer stating that address to which all correspondence will be made by the Company.

- 5.1.9. 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.
- 5.1.10. Documentation requirements and other information 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.
- 5.1.11. The Company shall not start or close 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.
- 5.1.12. 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 centralised 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 in the following manner:

**5.1.12.1. For existing accounts:**

The Company shall upload the KYC Records of the existing individual accounts in the following manner:

- 5.1.12.1.1. The individual accounts whose aggregate transaction during the year is less than Rupees Ten Lakh shall be uploaded within the timelines prescribed by RBI
- 5.1.12.1.2. The individual accounts whose aggregate transaction during the year is equal to and more than Rupees Ten Lakh shall be uploaded the timelines prescribed by RBI

**5.1.12.2. For new accounts:**

The Company shall upload the KYC Records within the timelines prescribed by RBI after the commencement of an account-based relationship with a client.

- 5.1.13. The Company may provide an option for One Time Pin (OTP) based e-KYC process for on-boarding of customers, subject to the following conditions:
- 5.1.13.1. There must be a specific consent from the customer for authentication through OTP
- 5.1.13.2. Borrowal accounts opened using OTP based e-KYC shall not be allowed for more than one year within which Customer Due Diligence (CDD) procedure

as provided in section 16 or as per the first proviso of Section 17 of the Master Direction is to be completed. If the CDD procedure is not completed within a year, in respect of the borrower accounts no further debits shall be allowed.

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

***Proof of Identity/ Address/ Principal place of business***

The documents for establishing the identity and address proof of a person may include:

<b>Type of Customer</b>	<b>Identity Proof</b>	<b>Address Proof (at least one of the following)</b>
Individual (including NRIs)	<ul style="list-style-type: none"> <li>a. one certified copy of an OVD containing details of identity and address;</li> <li>b. one recent photograph;</li> <li>c. Permanent account number (PAN) shall be obtained and verified. Form 60 shall be obtained from persons who do not have PAN.</li> </ul>	<p>One of the six OVDs or-</p> <ul style="list-style-type: none"> <li>a. Utility bill, which is not more than two months old, of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);</li> <li>b. Property or Municipal Tax receipt;</li> <li>c. Bank account or Post Office savings bank account statement;</li> <li>d. Pension or family Pension Payment Orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;</li> <li>e. Letter of allotment of accommodation from employer issued by State or Central Government</li> </ul>

Type of Customer	Identity Proof	Address Proof (at least one of the following)
		<p>departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation; and</p> <p>f. Documents issued by Government departments of foreign jurisdictions or letter issued by Foreign Embassy or Mission in India.</p>
Companies	<ul style="list-style-type: none"> <li>a. Certificate of incorporation.</li> <li>b. Memorandum and Articles of Association.</li> <li>c. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf.</li> <li>d. Officially valid documents in respect of managers, officers or employees holding an attorney to transact on its behalf.</li> </ul>	One of the six OVDs mentioned above
Partnership Firms and LLP	<ul style="list-style-type: none"> <li>a. Registration certificate.</li> <li>b. Partnership deed.</li> <li>c. Officially valid documents in respect of the person holding an attorney to transact on its behalf.</li> </ul>	One of the six OVDs mentioned above

Type of Customer	Identity Proof	Address Proof (at least one of the following)
Trusts & Foundations	<ul style="list-style-type: none"> <li>a. Registration certificate.</li> <li>b. Trust deed.</li> <li>c. Officially valid documents in respect of the person holding a power of attorney to transact on its behalf.</li> </ul>	One of the six OVDs mentioned above
Unincorporated association or a body of individuals (Note - Unregistered Trusts/partnership firms are included under the term unincorporated association and “body of individuals” includes Societies)	<ul style="list-style-type: none"> <li>a. Resolution of the managing body of such association or body of individuals;</li> <li>b. power of attorney granted to transact on its behalf;</li> <li>c. Officially valid documents in respect of the person holding an attorney to transact on its behalf and</li> <li>d. such information as may be required to collectively establish the legal existence of such an association or body of individuals.</li> </ul>	One of the six OVDs mentioned above
Proprietorship Concerns	<ul style="list-style-type: none"> <li>a. a certified copy of an OVD containing details of identity and address of the individual (proprietor)</li> <li>b. Permanent account number (PAN) shall be obtained and verified. Form 60 shall be obtained from persons who do not have PAN.</li> </ul> <p>Any two of the following:</p> <ul style="list-style-type: none"> <li>a. Registration certificate</li> <li>b. Certificate/licence issued by the municipal authorities under Shop and Establishment Act.</li> </ul>	One of the six OVDs mentioned above

Type of Customer	Identity Proof	Address Proof (at least one of the following)
	<ul style="list-style-type: none"> <li>c. Sales and income tax returns.</li> <li>d. CST/VAT certificate.</li> <li>e. Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.</li> <li>f. IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT/License/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.</li> <li>g. 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.</li> <li>h. Utility bills such as electricity, water, and landline telephone bills.</li> </ul>	
<p>Juridical persons not specifically covered above, such as Government or its Departments, societies, universities and local bodies like</p>	<ul style="list-style-type: none"> <li>a. Document showing name of the person authorized to act on behalf of the entity;</li> <li>b. Officially valid documents for proof of identity and address in respect of the person holding an attorney to transact on its behalf and</li> </ul>	<p>One of the six OVDs mentioned above</p>

Type of Customer	Identity Proof	Address Proof (at least one of the following)
village panchayats	c. Such documents as may be required to establish the legal existence of such an entity/juridical person.	
In case a person is unable to open an account due to failure to provide documents mentioned in 3(a)(vi) of Chapter I of the Master Directions, the authorized representative of the Company, not below rank of manager, may at their discretion open accounts subject to the conditions prescribed in para 24 of the Master Directions.		

## 6. Monitoring of transactions

- 6.1. 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 business and his risk profile; and the source of funds.
- 6.2. The extent of monitoring an account shall be aligned with the risk category of the customer.
- 6.3. The Company shall maintain proper record of all cash transactions of Rs.10 lakh and above and have in place internal monitoring system.
- 6.4. In case of such unusual transactions that fall outside the regular pattern of activity, the Company shall strive to understand the normal and reasonable activity of the customer through personal visits and by observing the transactions and conduct of the borrower account as may be required by the situation.
- 6.5. The illustrative list of transaction, as provided in Annexure II, will be regularly monitored by the Company.

## 7. Reporting of transactions to FIU-IND

- 7.1. The Company will maintain proper record and furnish to the Director, FIU-IND, all transaction/information prescribed in Rule 3 of the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 in terms of Rule 7 thereof.
- 7.2. 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 where such series of transactions have taken place within a month (CTR) shall be reported to FIU-IND within 15<sup>th</sup> day of the succeeding month.

- 7.3. All such transactions, as specified in para 6.4 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, Suspicious Transaction Report (STR) would be filed with FIU-IND. The Principal Officer would file the STR 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.
- 7.4. 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.
- 7.5. The Company has a laid down document retention policy which would be reviewed periodically to be in compliance to the requirements of PMLA. The following documents/ records would be held for a period of 10 years:
  - 7.5.1. Records with respect to the cash transactions of value of more than Rs. 10 lacs
  - 7.5.2. Records with respect to series of cash transactions integrally connected to each other of more than Rs.10 lacs within a month
  - 7.5.3. Records with respect to transactions where counterfeit currency notes have been used
  - 7.5.4. Records with respect to all suspicious transactions
  - 7.5.5. KYC documents after the business relationship ending.
- 7.6. The documents/ records maintained would hold the following information
  - 7.6.1. Nature of transaction;
  - 7.6.2. Amount of the transaction;
  - 7.6.3. Date on which the transaction was conducted; and
  - 7.6.4. The parties to the transaction.

## **8. 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 prepare brochures or pamphlets etc. so as to educate the customer of the objectives of the KYC programme. The front desk staff shall be specially trained to handle such situations while dealing with customers.



## **9. Appointment of Principal Officer**

9.1. Mr Ram Kumar has been appointed as the Principal Officer in compliance of Rule 2 (f) of the Maintenance of Record Rules of the PMLA.

9.2. 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.

9.3. The Principal Officer would perform the following duties:

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

## **10. Appointment of Designated Director**

Mr Ram Kumar has been appointed as the Designated Director in compliance of 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.

## **11. Appointment of third party**

The Company may, at its option, 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:

- a. The appointment of such third party is in accordance with the outsourcing policy of the Company.
- b. Necessary information of such customers' due diligence carried out by the third party is immediately obtained by the Company.
- c. 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.
- d. 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.
- e. The third party shall not be based in a country or jurisdiction assessed as high risk.

- f. The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the Company.

## **12.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 conditions:

- a. Fresh proofs of identity and address shall not be sought at the time of periodic updation, from customers who are categorized 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.
- b. 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.
- c. Physical presence of low risk customer at the time of periodic updation shall not be insisted upon.
- d. The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.
- e. Fresh photographs shall be obtained from customer for whom account was opened when they were minor, on their becoming a major.
- f. e-KYC process using OTP based authentication, for the purpose of periodic updation is allowed, provided, while onboarding, the customer was subjected to KYC process as specified in the RBI Directions.

## **13.Audit**

- 13.1. 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;
- 13.2. 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.
- 13.3. 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 Audit Committee of the Board on quarterly basis;

13.4. 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.

#### **14. 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.

## **ANNEXURE -I**

### **CUSTOMER IDENTIFICATION REQUIREMENTS – INDICATIVE GUIDELINES**

#### **Trust/Nominee or Fiduciary Accounts**

The Company will determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, the Company will insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. While opening an account for a trust, the Company will take reasonable precautions to verify the identity of the trustees and the settlors of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries will be identified when they are defined. In the case of a 'foundation', steps will be taken to verify the founder managers/directors and the beneficiaries, if defined. If the Company decides to accept such accounts in terms of the Customer Acceptance Policy, the Company will take reasonable measures to identify the beneficial owner(s) and verify his/her/their identity in a manner so that it is satisfied that it knows who the beneficial owner(s) is/are.

#### **Accounts of companies and firms**

The Company will seek information, if required, on the control structure of the entity, source of funds and the natural persons who carry a controlling interest in the management. These requirements will be moderated as per our credit risk policy and guidelines of the operations manual, for e.g. in the case of a public company it will not be necessary to identify all the shareholders.

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

Politically exposed persons are individuals who are or have been entrusted with prominent public functions e.g. Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The Company will gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. The Company will verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The decision to open an account for PEPs are taken at senior level. The Company will also subject such accounts to enhanced monitoring on an ongoing basis. The above norms will also be applied to the accounts of the family members or close relatives of PEPs.

### **Accounts of non-face-to-face customers**

Certification of all the documents presented will be insisted upon and, if necessary, additional documents will be called for. In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and the Company will have to rely on third party certification/introduction. In such cases, it shall be ensured that the third party is a regulated and supervised entity and has adequate KYC systems in place.

## ANNEXURE - II

### INDICATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO LOANS:

- a. Use of Bank A/c's of Third Parties for payment of EMIs beyond specified number of occasions.
- b. Change in the bank account from which PDC/ ECS are issued more than reasonable number of times within a pre-defined period
- c. Total amount of payments through Demand Draft (DD), cash and third party cheques above certain number of EMI/Value of loan/ part payments in last YYY days
- d. Repeated pre-termination of loan accounts of size exceeding Rs.10 lacs;
- e. Same customer appearing in the Cash Transaction Report (CTR) more than specified number of occasions times during a pre-defined period;
- f. Total cash received from a customer in a financial year exceeding Rs.50 lacs;
- g. Approaches a branch/office, which is away from the customer's residential or business address provided in the loan application, when there is branch/office nearer to the given address
- h. Frequent requests for change of address;
- i. Overpayment of installments with a request to refund the overpaid amount.
- j. Being an NBFC, the Company is not empowered to seize any counterfeit currency like in the case of banks. However, the following incidents of counterfeit currency at the cash counters would be recorded and repeated occurrence would be reported-
  - a. Bulk counterfeit currency of more than 10 pieces at a time;
  - b. Repeated event within a week from a collection executive or customer;