KNOW YOUR CUSTOMER ("KYC")

AND

ANTI-MONEY LAUNDERING ("AML")

POLICY

(Amended by the Board of Directors on 8th November 2023)

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Document Control

Document Information	
Company	Sakthi Finance Limited **("SFL")**, Coimbatore
Document Title	Know Your Customer **("KYC")** and Anti-Money Laundering **("AML")** Policy
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Document Owner	
Name	**Title**

Document History			
Sl No	**Date**	**Nature of Document**	**Remarks**
1	25th February 2004	Base Document	KYC AML Policy initially adopted by the Board of Directors
2	8th February 2014	Amendment	Amended KYC AML policy approved by the Board as per RBI requirements
3	9th August 2014	Amendment	Incorporated Risk Categorization of Customers as per requirements of RBI
4	24th September 2016	Review	Reviewed by the Board of Directors
5	16th September 2017	Amendment	Amended as per the requirements of RBI
6	9th August 2018	Amendment	Amendments relating to: • Officially Valid Documents **("OVD")** • KYC Documents for Identification and Verification were included as per RBI requirements
7	29th March 2019	Review	Reviewed by the Board of Directors
8	13th December 2019	Amendment	Amendment made in Clause 18 of Customer Education in the KYC AML Policy
9	30th July 2020	Amendment	Amendments relating to: • Definitions • Customer Identification Procedure and Identification were included as per RBI requirements
10	14th August 2021	Amendment	Insertion of new clause for Video based Customer Identification Process **("V-CIP")** as per requirements of RBI

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Document History			
Sl No	**Date**	**Nature of Document**	**Remarks**
11	7th August 2023	Amendment	Entire Policy has been amended as per RBI MD-KYC Directions dated 28th April 2023 / 4th May 2023 Government of India (Ministry of Finance) Gazette notification dated 3rd May 2023 and 9th May 2023
12	8th November 2023	Amendment	Several Paragraphs/Clauses of the policy have been amended as per the RBI MD-KYC Direction dated 17th October 2023 and Government of India (Ministry of Finance) Gazette notification dated 4th September 2023 and 17th October 2023 in Prevention of Money Laundering (Maintenance of Records) Third Amendment Rules, 2023 etc.

Abbreviations used

AI	Artificial Intelligence
AML	Anti-Money Laundering
API	Application Programming Interface
BO	Beneficial Owner
BOI	Body of Individuals
CAP	Customer Acceptance Policy
CCR	Counterfeit Currency Report
CDD	Customer Due Diligence
CBDT	Central Board of Direct Taxes
CERSAI	Central Registry of Securitization Asset Reconstruction and Security Interest of India
CERT-IN	Indian Computer Emergency Response Team
CFT	Combating the Financing of Terrorism
CIDR	Central Identities Data Repository
CIP	Customer Identification Procedure
CKYCR	Central KYC Records Registry
CNO	Central Nodal Officer
CRS	Common Reporting Standards
CTR	Cash Transaction Report
DARPAN	Digital Advancement of Rural Post Office for a New India
DGFT	Directorate General of Foreign Trade
EDD	Enhanced Due Diligence
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FEDAI	Foreign Exchange Dealers' Association of India
FEMA	Foreign Exchange Management Act
FIU-IND	Financial Intelligence Unit-India
GST	Goods and Services Tax Act 2016
IEC	Importer Exporter Code
KYC	Know Your Customer
LE	Legal Entity
MAAT	Mutual Administrative Assistance in Tax Matters
MD	RBI's Master Direction
MHA	Ministry of Home Affairs
ML	Money Laundering
MOA/AOA	Memorandum of Association / Articles of Association
NBFCs	Non-Banking Financial Companies
NCDs	Non-Convertible Debentures
NPO	Non-Profit Organisations
NREGA	The Mahatma Gandhi National Rural Employment Guarantee Act 2005
NRI	Non-Resident Indians
OTP	One Time Password
OVD	Officially Valid Document
PAN	Permanent Account Number

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PEP	Politically Exposed Person
PIO	Persons of Indian Origin
PML	Prevention of Money Laundering Act 2002
PO	Principal Officer
PPO	Pension Payment Orders
RBA	Risk Based Approach
RBI	Reserve Bank of India
SFL	Sakthi Finance Limited
STR	Suspicious Transaction Reporting
TF	Terrorist Financing
UAPA	Unlawful Activities (Prevention) Act 1967
UCIC	Unique Customer Identification Code
UNSC	United Nations Security Council
URC	Udyam Registration Certificate
V-CIP	Video based Customer Identification Process
WMD Act	Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act 2005

1. Introduction

1.1. Reserve Bank of India **("RBI")** had issued Master Direction – Know Your Customer **("KYC")** Direction 2016 dated 25 February 2016 to be complied with by all Non-Banking Financial Companies **("NBFCs")**.

1.2. ***Further, RBI has, by its latest Circular RBI/2023-24/69 DOR.AML.REC.44/14.01.001/2023-24 dated 17th October 2023, amended the Master Direction on "Know Your Customer Guidelines ("KYC") considering the following aspects:***

- ***a. To incorporate the amendments made by the Central Government by its notifications dated 4 September 2023 and 17 October 2023 in the Prevention of Money Laundering (Maintenance of Records) Rules 2005 ("PML Rules")***
- ***b. To update the Annex II and Annex III of the KYC-MD to reflect changes in government orders relating to Unlawful Activities (Prevention) Act 1967 and Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act 2005.***
- ***c. To include certain instructions that have been made in accordance with recommendations from the Financial Action Task Force ("FATF").***
- ***d. A new Section 55A on the Foreign Contribution (Regulation) Act ("FCRA") has been incorporated into the KYC-MD and***
- ***e. To update several other instructions to enhance the regulatory framework***

1.3. In compliance with the amendments to the above RBI's Master Direction, the KYC and AML Policy **("KYC and AML Policy" or "the Policy")** of the company is being amended by the Board of Directors of the company and is documented.

2. Objective and Purpose

2.1. To prevent the Company from being used as a channel for Money Laundering (**"ML"**)/ Terrorist Financing (**"TF"**) and to ensure the integrity and stability of the financial system, efforts are being continuously made by way of various rules and regulations.

2.2. The KYC Policy has been formulated to develop a strong mechanism to achieve the following objectives:

a. To prevent the Company from being used, intentionally or unintentionally, by criminal elements for Money Laundering or Terrorist Financing activities. KYC procedures also enable the Company to know/understand their customers and their financial dealings better, which in turn helps it to manage the associated risks prudently.

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b. To enable the Company to comply with all the legal and regulatory obligationsinrespect of KYC norms / AML Standards / CFT measures / Company's obligation under PMLA 2002 and to co-operate with various government bodies dealing with related issues.
c. The purpose of KYC and AML policy is to put in place customer identification procedures for entering into transactions and monitoring it in the accounts for detection of transactions of suspicious nature for the purpose ofreporting to Financial Intelligence Unit-India (**"FIU-IND"**) in terms of the recommendations made by Financial Action Task Force (**"FATF"**).

For this purpose of the Policy, the term 'Money Laundering' would also cover financialtransactions where the end-use of funds is for financing terrorism, irrespective of the source of funds.

3. Scope and applicability of KYC and AML Policy

3.1 The Policy will be applicable for all products and services offered by the Company. Further, the Policy shall also apply to all branches / offices of the Company.

3.2 All branch offices of the Company shall take all necessary steps to implement the policy and the provisions of Prevention of Money-Laundering Act 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules 2005, as amended from time to time.

3.3 The Company's policy framework seeks to ensure compliance with PML Act / Rules, including regulatory instructions in this regard and should provide a defense against threats arising from money laundering, terrorist financing and other related risks.

4. Implementation of group-wide Policy

4.1 In terms of PML Rules, groups are required to implement group-wide policies for the purpose of discharging obligations under the provisions of Chapter IV of the PML Act, 2002. (15 of 2003). Accordingly, the Company which is part of a group, if any, shall implement group-wide programmes against money laundering and terror financing, including group-wide policies for sharing information required for the purposes of client due diligence and money laundering and terror finance risk management and such programmes shall include adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.

5. Definitions

5.1 In terms of RBI's Master Direction on KYC, as amended, unless the context otherwise requires, the following terms shall have the meanings assigned to them as detailed below:

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(A) Terms having meaning assigned in terms of Prevention of Money Laundering Act, 2002 and the Prevention of Money Laundering (Maintenance of Records) Rules 2005:

i. **Aadhaar Number** means an identification number issued to an individual under sub-section (3) of Section 3 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act 2016 (18 of 2016) and includes any alternative virtual identity generated under sub-section (4) of that Section.

ii. **Act and Rules** means the Prevention of Money Laundering Act, 2002 and thePrevention of Money Laundering (Maintenance of Records) Rules 2005 respectively and amendments thereto.

iii. **Authentication**, in the context of Aadhaar authentication, means the process asdefined under sub-section (c) of Section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act 2016.

iv. **Beneficial Owner ("BO"):**

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 exercisecontrol through other means.

Explanation: For the purpose of the above:

(i) "Controlling ownership interest" means ownership of / entitlement to more than 10 per cent of the shares or capital or profits of the company.

(ii) "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 naturalperson(s), who, whether acting alone or together, or through one or more juridical person, has / have ownership of / entitlement to more than ***10*** per cent of capital or profits of the partnership ***or who exercises control through other means.***

Explanation: For the purpose of this clause, control shall include the right to control the management or the 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 per cent of the property or capital orprofits of the unincorporated association or body of individuals.

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Explanation: 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 per cent 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.

Provided that in case of a trust, the Company shall ensure that trustees disclose their status at the time of commencement of an account-based relationship or when carrying out transactions as specified in Master Direction.

v. **Certified Copy** - Obtaining a certified copy by the Company shall mean comparing the copy of officially valid document so produced by the customer with the original andrecording it on the copy by the authorized official of the Branch of the Company under his official seal. Branch official will also attest the duly signed photograph of the customer.

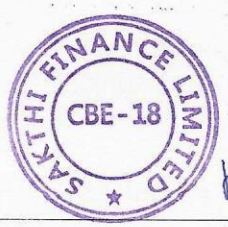
Provided that in case of Non-Resident Indians (**"NRIs"**) and Persons of Indian Origin (**"PIOs"**), as defined in Foreign Exchange Management (Deposit) Regulations 2016 (FEMA 5(R)), alternatively, the original certified copy of OVD, certified by any one of the following, may be obtained:

a. authorized officials of overseas branches of Scheduled Commercial Banks registered in India
b. Notary Public abroad
c. Court Magistrate
d. Judge
e. Indian Embassy / Consulate General in the country where the non- resident customer resides.

vi. **Central KYC Records Registry** (**"CKYCR"**) means an entity defined under Rule2(1) of the Rules to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

vii. **Designated Director** means a person designated by the Bank to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the Rules.

viii. **Digital KYC** means the capturing live photo of the customer and officially validdocument or the proof of possession of Aadhaar, where offline verification cannotbe carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorized official of the Company as per the provisions contained in the Act.



ix. **Digital Signature** shall have the same meaning as assigned to it in clause (p) of sub-section (1) of Section (2) of the Information Technology Act 2000 (21 of 2000). (Presently, as per Information Technology Act 2000, Digital Signaturemeans authentication of any electronic record by a subscriber by means of an electronic method or procedure in accordance with the provisions of Section 3 of the Information Technology Act 2000).

x. **Equivalent e-document** means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per Rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules 2016.

(Presently, as per Information Technology Rules 2016, Rule 9 is related to themanner in which Digital locker System is to be used by issuer).

xi. **Know Your Client ("KYC") Identifier** means the unique number or code assigned to a customer by the Central KYC Records Registry.

xii. **Non-Profit Organisations** (**"NPO"**) means any entity or organization, constitutedfor religious or charitable purposes referred to in clause (15) of Section 2 of the Income-Tax Act 1961 (43 of 1961), that is registered as a trust or a society underthe Societies Registration Act, 1860 or any similar State legislation or a companyregistered under Section 8 of the Companies Act 2013 (18 of 2013).

xiii. **Officially valid document** (**"OVD"**) means the passport, the driving license, 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 letter issued by the National Population Register containing details of name and address.

Provided that:

a. Where the customer submits his proof of possession of Aadhaar number asan OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.
b. 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;

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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;

c. The customer shall submit OVD with current address within a period of threemonths of submitting the documents specified at 'b' above.

Explanation: For the purpose of this clause, a document shall be deemed to bean 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.

xiv. **Off-line verification** shall have the same meaning as assigned to it in clause (pa) of Section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act 2016 (18 of 2016).

xv. **Permanent Account Number** is a unique 10-digit alpha-numeric number issued by the Income Tax Department to Indian taxpayers under the Income Tax Act 1961.

xvi. **Person** has the same meaning assigned in the Act and includes:
a. an individual
b. a Hindu undivided family
c. a company
d. a firm
e. an association of persons or a body of individuals, whether incorporated or not
f. every artificial juridical person, not falling within any one of the above persons (a to e) and
g. any agency, office or branch owned or controlled by any of the above persons (a to f)

xvii. **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 ormilitary officers, senior executives of state-owned corporations and important political party officials.

xviii. **Principal Officer ("PO")** means an officer ***at the management level*** nominated by the Company responsible for furnishing information as per Rule 8 of the Rules.

xix. **Suspicious transaction** means a "transaction" as defined below, including anattempted transaction, whether or not made in cash, which, to a person acting in good faith that:

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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, terroristorganization or those who finance or are attempting to finance terrorism.

xx. **Transaction** means a loan, pledge, transfer, delivery or the arrangement and includes:
a. opening of a financial transaction with the Company;
b. deposit or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
c. any payment made or received, in whole or in part, for any contractual or other legal obligation; or
d. establishing or creating a legal person or legal arrangement.

xxi. **Unique Customer Identification Code ("UCIC")** means a unique customer ID allotted to individual customers while entering into new transactions as well as to the existing customers. All the transactions of an individual customer will be opened under his / her UCIC.

(B) Terms having meaning assigned in RBI Master Directions on KYC, unless thecontext otherwise requires, shall have the meanings assigned to them as detailed below:

i. **Common Reporting Standards** (**"CRS"**) means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters (**"MAAT"**)
ii. **Customer** means a person who is engaged in a financial transaction or activitywith the Company and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
iii. ***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

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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.***

iv. **Customer identification** means undertaking the process of CDD.
v. **FATCA** means **Foreign Account Tax Compliance Act** of the United States of America (**"USA"**) which, *inter alia*, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S.taxpayers hold a substantial ownership interest.
vi. **KYC Templates** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
vii. **Non-face-to-face customers** means customers who have transactions without visiting the branch / offices of the Company or meeting the officials of Company.
viii. ***On-going Due Diligence means regular monitoring of transactions in accounts to ensure that those are consistent with Company's knowledge about the customers, customers' business and risk profile, the source of funds / wealth.***
ix. **Periodic Updation** means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant byundertaking reviews of existing records at periodicity prescribed by the Reserve Bank of India.
x. **"Video based Customer Identification Process ("V-CIP")**: an alternate method of customer identification with facial recognition and customer due diligence by an authorised official of the Company by undertaking seamless, secure, live, informed-consent based audio-visual interaction with the customer to obtain identification information required for CDD purpose and to ascertain the veracityof the information given by the customer through independent verification and maintaining audit trail of the process. Such processes complying with prescribed standards and procedures shall be treated on par with face-to-face CIP for the purpose of this KYC AML Policy.

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(C) All other expressions unless defined herein shall have the same meaning as havebeen assigned to them under the Reserve Bankof India Act 1935, the Prevention of Money Laundering Act 2002, the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act 2016 and regulations made thereunder any statutory modification or re-enactmentthereto or as used in commercial parlance, as the case may be.

6. The key elements of KYC Policy

a. Customer Acceptance Policy (**"CAP"**)
b. Risk Management
c. Customer Identification Procedure (**"CIP"**) and
d. Monitoring of Transactions

6.1. Customer Acceptance Policy

6.1.1. The Company's Customer Acceptance Policy (**"CAP"**) to specify the guidelines for acceptance of customers. It is to be ensured as detailed below:

a. No financial transaction is undertaken in anonymous or fictitious / benami name.
b. No financial transaction is undertaken where the Company is unable to apply appropriate Customer Due Diligence (**"CDD"**) measures, either due to non-cooperation ofthe customer or non-reliability of the documents / information provided by the customer.
c. No transaction-based relationship is undertaken without following the CDD procedure.
d. The mandatory information to be sought for KYC purpose while undertaking a financial transaction and during the periodic updation, is specified.
e. Additional information, where such information requirement has not been specified in the KYC AML Policy of the Company, is obtained with the explicit consent of the customer.
f. The CDD procedure is to be applied at the UCIC level. Thus, if an existing KYC compliant customer of Company desires to have another financial transaction with the Company, there shall be no need for a fresh CDD exercise.
g. Circumstances in which, a customer is permitted to act on behalf of another person / entity, are clearly spelt out.
h. No financial transaction is undertaken where the identity of the customer matches with any person or entity, whose name appears in the sanctions lists indicated in Chapter IX of the Master Direction of RBI, as amended.
i. Where Permanent Account Number **("PAN")** is obtained, it shall be verified from the verification facility of the issuing authority.

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j. Where an equivalent e-document is obtained from the customer, the digital signature has to be verified as per the provisions of the Information Technology Act 2000 (21 of 2000).
k. Where Goods and Services Tax **("GST")** details are available, the GST number shall be verified from the search / verification facility of the issuing authority.

6.1.2. Further, the Company is required to follow the following norms while accepting and dealing with its customers:

a. Parameters of risk perception are clearly defined in terms of verifiable documents (statutory and non-statutory), the nature of business activity, location of customer and his clients, quantum and mode of repayment of dues, volume of turnover, social and financial status etc. to enable categorization of customers into low, medium and high risk. An illustrative list of such risk categorisation is set out in **Annexure – 1.**
b. The customer profile contains information relating to 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. However, while preparing customer profile, the Company will seek only such information from the customer which is relevant to the risk category. The customer profile will be a confidential document and details contained in it will not be divulged for cross selling or any other purpose.
c. The intent of the Policy is not to result in denial of financial services to general public, especially to those, who are financially or socially disadvantaged. While carrying out due diligence, the Company will ensure that the procedure adopted does not result in denial of services to any genuine customers.
d. The Company shall carry out full-scale Customer Due Diligence (**"CDD"**) before entering into a transaction. When the true identity of the account holder is not known, the ***Company shall consider filing a Suspicious Transaction Report ("STR"), if necessary, when it is unable to comply with the relevant Customer Due Diligence ("CDD") measures in relation to the customer***.

6.2. Risk Management

6.2.1. For Risk Management, the Company has to adopt a risk based approach which includes the following:

a. Customers shall be categorized as low, medium and high risk category, based on the assessment and risk perception of the Company.
b. Broad principles may be laid down by the Company for risk-categorization of customers.

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c. Risk categorization shall be undertaken based on parameters such as customer's identity, social / financial status, nature of business activity and information about the clients' business and their location, geographical risk covering customers as well as transactions, type of products/services offered, types of transaction undertaken, cash, cheque/ monetary instruments etc. While considering customer's identity, the ability to confirm identity documents through on-line or other services offered by issuing authorities may also be taken into account.
d. The risk categorization of a customer and the specific reasons for such categorization shall be kept confidential and shall not be revealed to the customer.

6.2.2. It is specified that the various other information collected from different categories of customers, relating to the perceived risk, is non-intrusive. Lists such as FATF Public Statement, the reports and guidance notes on KYC AML issued by RBI are to be used for risk assessment.

6.3. Customer Identification Procedure

6.3.1. Customer identification means identifying the customer and verifying his / her identity by using reliable and independent source of documents, data or information to ensure that the customer is not a fictitious person. The Company shall obtain sufficient information necessary to establish, to its satisfaction, the identity of each customer and the purpose of the intended nature of business relationship. A Customer Identification procedure / requirements is given in **Annexure - 2** and documents to be obtained for address proof is set out in **Annexure - 3**.

6.3.2. An effective Customer Identification Program **("CIP")** is an important part of the effort by the Company to know its customers. The Company's CIP is integrated into the AML (Anti-Money Laundering) program for the company in terms of the Prevention of Money Laundering Act 2002 and the relevant rules notified thereunder (**"PMLA"**), which contains provisions requiring the business processes to:

a. verify the identity of any Person transacting with the Company to the extent reasonable and practicable;
b. maintain records of the information used to verify a customer's identity, including name, address and other identifying information; and
c. consult lists of known or suspected terrorists or terrorist organizations provided to the Company by any applicable government agency to determine whether a person opening an account or an existing customer appears on any such list.

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6.3.3. The Company will perform appropriate, specific and where necessary, Enhanced Due Diligence on its customers that is reasonably designed to know and verify the true identity of its customers and to detect and report instances of criminal activity, including money laundering or terrorist financing. The procedures, documentation, types of information obtained and levels of KYC due diligence to be performed will be based on the level of risk associated with the relationship (products, services, business processes, geographic locations) between the Company and the customer and the risk profile of the customer.

6.3.4. The Company shall take reasonable measures to ascertain and verify the true identity of all customers who transact with the Company. Each business process shall design and implement specific due diligence standards and procedures that are appropriate given the nature of the respective businesses, customers and the associated risks. Such standards and procedures shall include, at a minimum, the following elements as detailed below.

6.3.5. Customer, for the purpose of Customer Due Diligence (**"CDD"**) process, shall submit:

a. the Aadhaar number where he is desirous of receiving any benefit or subsidy under any scheme notified under Section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act 2016 (18 of 2016); or he decides to submit his Aadhaar number voluntarily to any reporting entity notified under first proviso to sub-section (1) of Section 11A of the PML Act; or
b. the proof of possession of Aadhaar number where off-line verification can be carried out; or
c. the proof of possession of Aadhaar number where off-line verification cannot be carried out or;
d. any Officially Valid Document (**"OVD"**) or the equivalent e-document thereof containing the details of his identity and address; or
e. the KYC identifier with an explicit consent to download records from CKYCR; and
f. the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules 1962; and
g. such other documents including in respect of the nature of business and financial status of the client, or the equivalent e-documents thereof as may be required by the Company.

6.3.6. Provided that where the customer has submitted:

a. Aadhaar number under paragraph (a) above to the Company notified under first proviso to sub-section (1) of section 11A of the PML Act, the Company shall carry out authentication of the

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customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India.

Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository (**"CIDR"**), he may give a self-declaration tothat effect to the Company.

b. proof of possession of Aadhaar under paragraph (b) above where off-line verification can be carried out, the Company shall carry out offline verification.
c. An equivalent e -document of any OVD, the Company shall verify the digital signature as per the provisions of the Information Technology Act 2000 (21 of 2000) and any rules made thereunder and take a live photo as specified under Annex I of the Master Direction.
d. Any OVD or proof of possession of Aadhaar number where offline verification is carried out under paragraph (c) above or any OVD under paragraph (d), the Company may carry out verification as specified under Annex I of the Master Direction.

Provided, for a period not beyond such date as may be notified by the Government for a class of Financial Institutions, instead of carrying out digital KYC, the Financial Institutions pertaining to such class may obtain a certified copy of the proof of possession of Aadhaar number or the OVD and a recent photograph where an equivalent e-document is not submitted.

Provided further that in case biometric e-KYC authentication cannot be performed for an individual desirous of receiving any benefit or subsidy under any scheme notified under Section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act 2016 owing to injury, illness or infirmity on account of old age or otherwise and similar causes, it shall be ensured that apart from obtaining the Aadhaar number, identification to be performed preferably by carrying out offline verification or alternatively by obtaining the certified copy of anyother OVD or the equivalent e-document thereof from the customer. It is to be ensured to duly record the cases of exception handling in a centralized exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorizing the exception and additional details, if any. Thedatabase shall be subjected to periodic internal audit by the Company and shall be available for supervisory review.

Explanation 1:Branch / Offices shall, where its customer submits his/her proof of possession of Aadhaar Number containing Aadhaar Number, ensure such customer to redact or blackout his Aadhaar number through appropriate means where the authentication of

Aadhaar number is not required under Section 7 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act.

Explanation 2: Biometric based e-KYC authentication can be done by the Company official.

Explanation 3: The use of Aadhaar, proof of possession of Aadhaar etc, shall be in accordance with the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act, the Aadhaar and Other Law (Amendment) Ordinance 2019 and the regulations made thereunder.

While establishing an account based relationship with individual customer, the branch official to ascertain as to whether the customer is already having a CustomerID with the Company. In case the customer has an existing Customer ID, fresh CustomerID shall not be created and the new transaction shall be opened with the existing Customer ID.

In order to verify the authenticity of the KYC document, the authorized official shall online verify Officially Valid Document (**"OVD"**) and PAN card details provided by the customer from the authentic database, wherever available, in public domain. PAN Card and Voter Identity Card, wherever obtained, be verified on-line through the relevant websites and a print of on-line verification of the said document can be held on record of the Company.

7. Monitoring

7.1. On-going monitoring is an essential element of effective KYC procedures. The Company can effectively control and reduce the risk only if it has an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk sensitivity of the account. The different business divisions should pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. High-risk accounts have to be subjected to intensified monitoring.

7.2. The Company shall put in place an appropriate software application / mechanism to throw alerts when the transactions are inconsistent with risk categorization and updated profile of customers.

A system of periodic review of risk categorization 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.

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8. Compliance of KYC AML Policy

8.1. Compliance of KYC AML Policy of the Company, as advised in RBI's Master Directions on KYC Policy will be ensured as detailed below:

Designated Director

8.1.1 An Executive Director on the Board to be nominated as "Designated Director", as per provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, to ensure overall compliance with theobligations imposed under Chapter IV of the PML Act and the Rules. Designated Director shall be nominated by the Board.

8.1.2 The name, designation and address of the Designated Director shall becommunicated to the FIU-IND.

8.1.3 Further, the name, designation, address and contact details of the Designated Director shall also be communicated to the RBI.

8.1.4 In no case, the Principal Officer be nominated as the 'Designated Director'.

Principal Officer

8.1.5 The Board has nominated Company Secretary as Principal Officer of the Company, who shall be responsible for ensuring compliance, monitoring transactions, sharing and reporting information as required under the law / regulations.

8.1.6 The name, designation and address of the Principal Officer shall be communicated to the FIU-IND.

8.1.7 Further, the name, designation, address and contact details of the Principal Officer shall also be communicated to the RBI.

8.1.8 The Principal Officer will report to Designated Director through Chief Compliance Officer, who shall be the administrative head of Compliance Department and will oversee the functioning of Compliance Department as per PML Act/KYC AML Policy.

8.1.9 The Principal Officer will maintain close liaison with enforcement agencies, RBI and other institutions which are involved in the fight against money laundering and combating financing of terrorism.

9. Compliance Mechanism

9.1 Compliance of KYC Policy will be ensured through:

a. Chief Compliance Officer in the rank of General Manager who will constitute as 'Senior Management' for the purpose of KYC compliance.

b. All HO / Branches to ensure compliance of KYC AML guidelines in their respective areas of operation, products, services, activities etc.

c. Independent evaluation of the compliance functions of the Company's policies and procedures, including legal and regulatory requirements be done by Compliance Department at HO.

d. Internal audit system to verify the compliance with KYC AML policies and procedures and submit quarterly audit notes and complianceto their Compliance Department. Internal audit to also ensure verification of compliance with KYC AML guidelines in system through system generated reports.

e. At the end of every calendar quarter, implementation and compliance of internal audit reports on adherence to KYC-AML guidelines at branches would be reviewed for apprising Audit Committee of Board.

9.2 The Company is to be ensure that decision-making functions of determining compliance KYC AML norms are not outsourced by it.

9.3 PML Rules require all offices of the Company to carry out Risk Assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas and products, services, transactions or delivery channels. The risk assessment should:

a. be documented;
b. consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied;
c. be kept up to date; and
d. be available to competent authorities and self-regulating bodies.

9.4 The implementation of KYC-AML guidelines by branches in letter and spirit, has to be ensured by Regional Managers and it is to be checked during their visit to branches.

10. Money Laundering and Terrorist Financing Risk Assessment by the Company

10.1 The Company shall carry out 'Money Laundering (**"ML"**) and Terrorist Financing (**"TF"**) Risk Assessment' exercise periodically to identify, assess and take effectivemeasures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services or transactions etc. The assessment process should consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. While preparing the internal risk assessment, the Company shall take note of the overall sector-specific vulnerabilities, if any, that the regulator (i.e. RBI) may share with the Company from time to time.

10.2 The risk assessment by the Company shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities / structure, etc. of the Company. Further, the periodicity of risk assessment exercise ***shall be determined by either the Board or a Committee of the Board to which the power is delegated.***

10.3 Operations Department shall carry out the above said Risk Assessment exercise on an annual basis. The outcome of the exercise shall be put up to the Risk Management Committee of the Board and should be available to regulators, if necessary. The Company shall apply a Risk Based Approach (**"RBA"**) for mitigation and management of the identified risk and should have Board approved policies, controls and procedures in this regard. Further, the Company shall monitor the implementation of the controls and enhance them, if necessary.

10.4 The respective Process Owners will review the controls related to KYC and AML existing / introduced in the area of their operations and its effectiveness in controlling the risk and minimizing data inconsistencies,

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if any and take corrective action. This process will be undertaken at least once a year. Special emphasis will be given on Risk Based approach to KYC-AML.

10.5 The Company shall apply a Risk Based Approach ("RBA") for mitigation and management of the risks (identified on their own or through national risk assessment) and shall have Board approved policies, controls and procedures in this regard. The Company shall implement a CDD programme, having regard to the ML/TF risks identified and the size of business. Further, the Company shall monitor the implementation of the controls and enhance them, if necessary.

11. Financial Transactions opened using Aadhaar based E-KYC

11.1 Where the financial transactions are in a non-face to face mode using OTP based e-KYC, it will be subject to the following conditions:

11.1.1 There must be a specific consent from the customer for authentication through OTP.

11.1.2 As a risk-mitigating measure for such transactions, it shall be ensured that transaction alerts, OTP, etc., are sent only to the mobile number of the customer registered with Aadhaar. There shall be a board approved policy in the Board delineating a robust process of due diligence for dealing with requests for change of mobile number in such accounts.

11.1.3 The aggregate balance of all the deposit accounts of the customer shall not exceed rupees one lakh. In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD as mentioned at 8.1.6 below is complete.

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

11.1.5 As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of loans sanctioned shall not exceed rupees three lakhs in a year.

11.1.6 Accounts, both public deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year unless identification as per Section 2 or as per Section 4 (V-CIP) is carried out. If Aadhaar details are used under Section 4, the process shall be followed in its entirety including fresh Aadhaar OTP authentication.

11.1.7 If the CDD procedure as mentioned above is not completed within a year, in respect of public deposit accounts, it shall be closed immediately. In respectof loan accounts no further debits shall be allowed.

11.1.8 Declaration shall be obtained from the customer to the effect that no other transaction has been opened nor will be opened using OTP based KYC in non- face-to-face mode with any other Company. Further, while uploading KYC information to CKYCR, Company shall clearly indicate that such accounts are opened using OTP based e-KYC and other Companies shall not open

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accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to-face mode.

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

12. Video based Customer Identification Procedure ("V – CIP")

12.1 Our Company may undertake V-CIP to carry out:

12.1.1 CDD in case of new customer on-boarding for individual customers, proprietor in case of proprietorship firm, authorised signatories and Beneficial Owners (**"BOs"**) in case of Legal Entity (**"LE"**) customers.

Provided that in case of CDD of a proprietorship firm, the Company shall also obtain the equivalent e-document of the activity proofs with respect to the proprietorship firm, as mentioned in **Annexure-2,** apart from undertaking CDD of the proprietor.

12.1.2 Conversion of existing financial transaction opened in non-face to face mode using Aadhaar OTP based e-KYC authentication as per paragraph 10 above.

12.1.3 Updation / periodic updation of KYC for eligible customers.

12.1.4 The Company opting to undertake V-CIP shall adhere to the following minimum standards:

a. V-CIP Infrastructure

i. The Company shall comply with the RBI guidelines on minimum baseline cyber security and resilience framework for financial institutions, as updated from time to time as well as other general guidelines on IT risks. The technology infrastructure should be housed in the own premises of the Company and the V-CIP connection and interaction shall necessarily originate from its own secured network domain. Any technology related outsourcing for the process should be compliant with relevant RBI guidelines. Where cloud deployment model is used, it shall be ensured that the ownership of data in such model rests with the Company only and all the data including video recording is transferred to the Company's exclusively owned / leased server(s) including cloud server, if any, immediately after the V-CIP process is completed and no data shall be retained by the cloud service provider or third party technology provider assisting the V-CIP of the Company.

ii. The Company shall ensure end-to-end encryption of data between customer device and the hosting point of the V-CIP application, as per appropriate encryption standards. The

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customer consent should be recorded in an auditable and alteration proof manner.

iii. The V-CIP infrastructure / application should be capable of preventing connection from IP addresses outside India or from spoofed IP addresses.

iv. The video recordings should contain the live GPS co-ordinates (geo-tagging) of the customer undertaking the V-CIP and date-time stamp. The quality of the live video in the V-CIP shall be adequate to allow identification of the customer beyond doubt.

v. The application shall have components with face liveness / spoof detection as well as face matching technology with high degree of accuracy, even though the ultimate responsibility of any customer identification rests with the Company. Appropriate Artificial Intelligence (**"AI"**) technology can be used to ensure that the V-CIP is robust.

vi. Based on the experience of detected / attempted / 'near-miss' cases of forged identity, the technology infrastructure including application software as well as work flows shall be regularly upgraded. Any detected case of forged identity through V-CIP shall be reported as a cyber security event under extant regulatory guidelines.

vii. The V-CIP infrastructure shall undergo necessary tests such as Vulnerability Assessment, Penetration Testing and a Security Audit to ensure its robustness and end-to-end encryption capabilities. Any critical gap reported under this process shall be mitigated before rolling out its implementation. Such tests should be conducted suitably by empanelled auditors of Indian Computer Emergency Response Team (**"CERT-IN"**). Such tests should also be carried out periodically in conformance to internal / regulatory guidelines.

viii. The V-CIP application software and relevant Application Programming Interface (**"APIs"**) / web services shall also undergo appropriate testing of functional, performance, maintenance strength before being used in live environment. Only after closure of any critical gap found during such tests, the application should be rolled out. Such tests shall also be carried out periodically in conformity with internal/ regulatory guidelines.

b. <u>V-CIP Procedure</u>

i. The Company shall formulate a clear work flow and standard operating procedure for V-CIP and ensure adherence to it. Any modification in the work flow may be carried out only after approval from the Company's IT department. The V-CIP process shall be operated only by the officials of the Company specially trained for this purpose. The official

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should be capable to carry out liveliness check and detect any other fraudulent manipulation or suspicious conduct of the customer and act upon it.

ii. In case of disruption of any sort, including pausing of video, reconnecting calls, etc., should not result in creation of multiple video files. If pause or disruption is not leading to the creation of multiple files, then there is no needto initiate a fresh session by the official concerned. However, in case of calldrop / disconnection, fresh session shall be initiated.

iii. The sequence and/or type of questions, including those indicating the liveness of the interaction, during video interactions shall be varied in order to establish that the interactions are real-time and not pre-recorded.

iv. Any prompting, observed at the end of the customer side shall lead to rejection of the account opening process.

v. The fact of the V-CIP customer, being an existing or new customer, or if it relates to a case rejected earlier or if the name appearing in some negative list should be factored in at appropriate stage of work flow.

vi. The authorised official of the Company performing the V-CIP shall record audio-video as well as capture photograph of the customer present for identification and obtain the identification information using any one of the following:
   a. OTP based Aadhaar e-KYC authentication
   b. Offline Verification of Aadhaar for identification
   c. KYC records downloaded from Central Know Customer Registry (**"CKYCR"**), in accordance with Paragraph21, using the KYC identifier provided by the customer
   d. Equivalent e-document of Officially Valid Documents (**"OVDs"**) including documents issued through Digi Locker.

The Company shall ensure to redact or blackout the Aadhaar number in terms of paragraph 11 above.

In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than 3 days from the date of carrying out V-CIP.

Further, in line with the prescribed period of three days for usage of Aadhaar XML file / Aadhaar QR code, the Company shall ensure that the video process of the V-CIP is undertaken within three days of downloading / obtaining the identification information through CKYCR / Aadhaar authentication / equivalent e-document, if in the rare cases, the entire process cannot be completed at one go or seamlessly. However, the Company shall ensure that no incremental risk is added due to this.

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i. If the address of the customer is different from that indicated in the OVD, suitable records of the current address shall be captured, as per the existing requirement. It shall be ensured that the economic and financial profile/information submitted by the customer is also confirmed from the customer undertaking the V-CIP in a suitable manner.
ii. The authorized official of the Company shall capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority including through Digi Locker.
iii. Use of printed copy of equivalent e-document including e-PAN is not valid for the V-CIP.
iv. The authorised official of the Company shall ensure that photograph of the customer in the Aadhaar/OVD and PAN/e-PAN matches with the customer undertaking the V-CIP and the identification details in Aadhaar/OVD and PAN/e-PAN shall match with the details provided by the customer.
v. All accounts opened through V-CIP shall be made operational only after being subject to IT audit, to ensure the integrity of process and its acceptability of the outcome.
vi. All matters not specified under the paragraph but required under other statutes such as the Information Technology (**"IT"**) Act shall be appropriately complied with by the Company.

c. V-CIP Records and Data Management

i. The entire data and recordings of V-CIP shall be stored in a system / systems located in India. The Company shall ensure that the video-recording is stored in a safe and secure manner and bears the date and time stamp that affords easy historical data search. The extant instructions on record management, as stipulated in RBI's Master Direction (**"MD"**), shall also be applicable for V-CIP.
ii. The activity log along with the credentials of the official performing the V-CIP shall be preserved.

13. Simplified procedure for opening accounts by the Company

13.1 In case a person who desires to open an account is not able to produce documents, as specified above, the Company may, at their discretion, open accounts subject to the following conditions:
13.2 The Company shall obtain a self-attested photograph from the customer.
13.3 The designated official of the Company certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.

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13.4 The account shall remain operational initially for a period of twelve months, within which CDD as per **Annexure - 2** shall be carried out.

13.5 Balances in all their accounts taken together shall not exceed rupees fifty thousand at any point of time.

13.6 The total credit in all the accounts taken together shall not exceed rupees one lakh in a year.

13.7 The customer shall be made aware that no further transactions will be permitted until the full KYC procedure is completed in case Directions stated above are breached by him.

13.8 The customer shall be notified when the balance reaches rupees forty thousand or the total credit in a year reaches rupees eighty thousand that appropriate documents for conducting the KYC must be submitted otherwise the operations in the account shall be stopped when the total balance in all the accounts taken together exceeds the limits prescribed as stated above.

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

13.10 The account shall be monitored and when there is suspicion of ML/TF activities or other high-risk scenarios, the identity of the customer shall be established as per Section 16 or Section 18 of the RBI Master Direction.

14. Updation / Periodic updation of KYC

14.1 The Company shall adopt a risk-based approach for periodic updation of KYC. However, 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 from the date of opening of the account / last KYC updation. Policy in this regard shall be documented as part of Company's internal KYC policy duly approved by the Board of Directors of Company or any committee of the Board to which power has been delegated.

The Company has to ensure KYC information or data collected under CDD is kept up-to-date and relevant, particularly where there is high risk.

i. Individual Customers

a. No change in KYC information

In case of no change in the KYC information, a self-declaration from the customer in this regard shall be obtained through customer's email-id registered with the Company, customer's mobile number registered with the Company, letter etc.

b. Change in address

In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the

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customer through customer's email-id registered with the Company, customer's mobile number registered with the Company, letter etc., and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, etc.

Further, the Company may, at their option, obtain a copy of OVD or deemed OVD or the equivalent e-documents thereof, as defined in Paragraph 4(A)(x), for the purpose of proof of address, declared by the customer at the time of periodic updation. Such requirement, however, shall be clearly specified by the Company in their internal KYC policy duly approved by the Board of Directors of the Company or any committee of the Board to which power has been delegated.

c. Accounts of customers who were minor at the time of opening account on their becoming major

In case of customers for whom account was opened when they were minor, fresh photographs shall be obtained on their becoming a major and at that time it shall be ensured that CDD documents as per the current CDD standards are available with the Company. Wherever required, the Company may carry out fresh KYC of such customers i.e. customers for whom account was opened when they were minor, on their becoming a major.

ii. Customers other than individuals

a. No change in KYC information

In case of no change in the KYC information of the Legal Entity (**"LE"**) customer, a self-declaration in this regard shall be obtained from the LE customer through its e-mail id registered with the Company, letter from an official authorized by the LE in this regard, board resolution etc. Further, the Company shall ensure during this process that Beneficial Ownership (**"BO"**) information available with them is accurate and shall update the same, if required, to keep it as up-to-date as possible.

b. Change in KYC information

In case of change in KYC information, the Company shall undertake the KYC process equivalent to that applicable for on-boarding a new LE customer.

iii. Additional measures

In addition to the above, the Company shall ensure that:

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a. The KYC documents of the customer as per the current CDD standards are available with them. This is applicable even if there is no change in customer information but the documents available with the Company are not as per the current CDD standards. Further, in case the validity of the CDD documents available with the Company has expired at the time of periodic updation of KYC, the Company shall undertake the KYC process equivalent to that applicable for on-boarding a new customer.
b. Customer's PAN details, if available with the Company is verified from the database of the issuing authority at the time of periodic updation of KYC.
c. An acknowledgment is provided to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out periodic updation. Further, it shall be ensured that the information / documents obtained from the customers at the time of periodic updation of KYC are promptly updated in the records / database of the Company and an intimation, mentioning the date of updation of KYC details, is given to the customer.
d. In order to ensure customer convenience, the Company may consider making available the facility of periodic updation of KYC at any branch, in terms of their internal KYC policy duly approved by the Board of Directors of the Company or any committee of the Board to which power has been delegated.
e. The Company shall adopt a risk-based approach with respect to periodic updation of KYC. Any additional and exceptional measures, which otherwise are not mandated under the above instructions, adopted by the Company such as requirement of obtaining recent photograph, requirement of physical presence of the customer, requirement of periodic updation of KYC only in the branch of the Company where account is maintained, a more frequent periodicity of KYC updation than the minimum specified periodicity etc., shall be clearly specified in the internal KYC policy duly approved by the Board of Directors of the Company or any committee of the Board to which power has been delegated.
f. The Company shall ensure that their internal KYC policy and processes on updation / periodic updation of KYC are transparent and adverse actions against the customers should be avoided, unless warranted by specific regulatory requirements.

15. Accounts of Politically Exposed Persons ("PEPs")

15.1 The 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:

a. The Company shall have in place appropriate risk management systems to determine whether the customer or the beneficial owner is a PEP;

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b. Reasonable measures are taken by the Company for establishing the source of funds / wealth;

c. the approval to open an account for a PEP shall be obtained from the senior management;

d. all such accounts are subjected to enhanced monitoring on an on-going basis;

e. 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.

15.2. These instructions shall also be applicable to family members or close associates of PEPs.

16. Enhanced Due Diligence ("EDD")

16.1 The Company is primarily engaged in retail finance. It does not deal with such category of customers who could pose a potential high risk of money laundering, terrorist financing or political corruption and are determined to warrant enhanced scrutiny. The existing credit policy of the Company in respect of its businesses ensure that the Company is not transacting with such high-risk customers. The Company shall conduct Enhanced Due Diligence in connection with all customers or accounts that are bound to pose a potential high risk and warrant enhanced scrutiny. Each business process shall establish appropriate standards, methodology and procedures for conducting Enhanced Due Diligence, which shall involve conducting appropriate additional due diligence or investigative actions beyond what is required by standard KYC due diligence. Enhanced Due Diligence shall be coordinated and performed by the Company, who may engage appropriate outside investigative services or consult appropriate vendor sold databases when necessary. Each business process shall establish procedures to decline to do business with or discontinue relationships with any customer when the Company cannot adequately complete necessary Enhanced Due Diligence or when the information received is likely to have a significant adverse impact on reputational risk.

The following are the indicative list where the risk perception of a customer may be considered higher:

a. Customers requesting for frequent change of address/contact details
b. Sudden change in the loan account activity of the customers
c. Frequent closure and opening of loan accounts by the customers

16.2 Enhanced Due Diligence may be in the nature of keeping the account monitored closely for a re-categorisation of risk, updation of fresh KYC documents, field investigation or visit of the customer, etc., which shall form part of the credit policy of the company.

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17. Record Management

17.1 The following steps shall be taken regarding maintenance, preservation and reporting of customer information, with reference to provisions of PML Act and Rules. It is to be ensured to:

a. maintain all necessary records of transactions between the Company and the customer for at least five years from the date of the transaction;
b. 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;
c. make available swiftly, the identification records and transaction data to the competent authorities upon request;
d. introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules 2005 (PML Rules 2005);
e. maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:
   i. the nature of the transactions;
   ii. the amount of the transaction and the currency in which it was denominated;
   iii. the date on which the transaction was conducted; and
   iv. the parties to the transaction.
f. evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities; and
g. 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 the above, the expressions "records pertaining to theidentification", "Identification records", etc., shall include updated records of the identification data, account files, business correspondence and result of any analysis undertaken.

17.2 The Company shall ensure that in case of customers who are non-profit organizations, thedetails of such customers are registered on the DARPAN Portal of NITI Aayog. If it is not registered, the Company shall register the details on the DARPAN Portal. The Company shall also maintain such registration records for a period of five years after the business relationship between the customer and the Company has ended or the account has been closed, whichever is later.

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18. Reports to be furnished to Financial Intelligence Unit-India

18.1 Cash Transactions Report ("CTR")

a. Report of all cash transactions of the value of more than rupee 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 and the aggregate value of such transaction exceeds Rupees ten lakh.
b. The CTR for each month will be submitted to FIU-IND by 15th of the succeeding month.
c. A copy of monthly CTR submitted on its behalf to FIU-IND is available at the Registered Office / Branch for production to auditors/Inspectors, when asked for.

18.2 Suspicious Transaction Reports ("STR")

a. While determining suspicious transactions, the Company is to be guided by thedefinition of "suspicious transaction" as contained in PMLA Rules as amended from time to time.

"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:

i. 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
ii. appears to be made in circumstances of unusual or unjustified complexity;or
iii. appears to not have economic rationale or *bona fide* purpose; or
iv. 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.

a. It is likely that in some cases transactions are abandoned/aborted by customers on being asked to give some details or to provide documents. Allsuch attempted transactions in STRs to be reported, even if not completed by the customers, irrespective of the amount of the transaction.
b. STR to be submitted if it has reasonable ground to believe that the transaction involves proceeds of crime irrespective of the amount

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of the transaction and/or the threshold limit envisaged for predicate offences in part B of Schedule of PMLA 2002.

c. Furnishing of STR to be ensured within seven days of arriving at a conclusion by the Principal Officer of the Company that any transaction, whethercash or non-cash, or a series of transactions integrally connected are of suspicious nature.
d. It shall be ensured not to put any restrictions on operations in the accountswhere an STR has been filed. The submission of STR will be kept strictly confidential, as required under PML Rules.
e. The primary responsibility for monitoring and reporting of suspicious transaction shall be that of the branch. The monitoring of the transactions will also be done by Regional Offices, who will also interact with the branches to facilitate monitoring and reporting of suspicious transactions. Regional Offices shall monitor transactions in customer accounts, in general and highrisk accounts/ high value transactions, in particular.
f. For effective monitoring of transactions of the customers, the Company has implemented an AML system for generation of AML alerts on day to day basis based on the pre-defined scenarios, as advised by Financial Intelligence Unit – India (**"FIU-IND"**) from time totime. These scenarios will be periodically reviewed to make them more effective based on the feedback received and experience gained. In case any suspicious transaction is detected, it shall be reported to Principal Officer / Compliance Department for onward submission of Suspicious Transaction Report (**"STR"**) to Financial Intelligence Unit – India (**"FIU-IND"**) through FIN net Gateway after getting the approval of Principal Officer of the Company. An illustrative list of Suspicious Transactions is given in **Annexure – 4.**
g. Further, Indicative list of various types of red flag indicators i.e. customer behavior and risk based transaction monitoring is given **Annexure – 5.**
h. ***The Company shall consider filing an STR, if necessary, when it is unable to comply with the relevant CDD measures in relation to the customer.***

18.3 Suspicious transactions shall be reported immediately to the Principal Officer of the company:

Name	: C Subramaniam
Designation	: Company Secretary
Phone	: (0422) 4236238
E-mail	: csubramaniam@sakthifinance.com

Head of Operations and CFO will be responsible for the compliance of KYC Norms for lending and acceptance of money from Depositors / Debenture holders/ Bondholders respectively.

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18.4 Counterfeit Currency Report ("CCR")

a. Cash transactions were forged or counterfeit currency notes have been used as genuine or where any forgery of a valuable security or document has taken place facilitating the transactions will be reported to Financial Intelligence Unit-India in the specified format by 15th of the succeeding month.

18.5 Reporting Formats

The reporting formats and comprehensive reporting format guide, prescribed/released by FIU-IND and Report Generation Utility and Report Validation Utility developed by them for the preparation of prescribed reports shall be taken note of. The editable electronic utilities to file electronic Cash Transaction Reports (**"CTR"**) / Suspicious Transaction Reports (**"STR"**) which FIU-IND has placed on its website shall be made use of by the Company which are yet to install/adopt suitable technological tools for extracting CTR / STR from their live transaction data.

18.6 Furnishing of Information

While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-represented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation. Offices shall not put any restriction on operations in the accountswhere an STR has been filed and shall keep the fact of furnishing of STR strictly confidential. It is to be ensured that there is no tipping off to the customer at any level.

While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-represented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation. The Company shall not put any restriction on operations in the accounts merely on the basis of the STR filed.

The Company, directors, officers and all employees shall ensure that the fact of maintenance of records referred to in Rule 3 of the PML (Maintenance of Records) Rules 2005 and furnishing of the information to the Director is confidential. However, such confidentiality requirement shall not inhibit sharing of information under Section 4(b) of this Master Direction of any analysis of transactions and activities which appear unusual, if any such analysis has been done.

19. Internal Control System

a. One Nodal officer at each Branch Office and Regional Office will be designated for compliance of KYC AML Policy and to monitor and strengthen the internal control system for prevention of money laundering and combating financing of terrorism.

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b. The Nodal Officers will ensure compliance of the following aspects:
   i. To comply with obligations under Prevention of Money Laundering Act / Rules 2002 / 2005.
   ii. To comply with other related Laws / Ordinances / Instructions / Guidelines issued by the different Competent Authorities for prevention of money laundering and combating financing of terrorism.
   iii. To ensure that the Company's products / services are not misutilized for money laundering to the detriment of national interest.
   iv. To submit STRs for the instances surfacing in local adverse media reports, enquiries conducted by Law Enforcement Agencies, public complaints, behavioural scenarios and attempted transactions etc. to Compliance Department.
   v. To ensure that field functionaries under their jurisdiction are sensitized on KYC and AML guidelines and ensuring that no money laundering activities take place in the branches under their jurisdiction.
   vi. To undertake on-site supervision by visiting the branches under their jurisdiction for random checking of compliance of KYC and AML guidelines of the Company.

20. Requirements / Obligations under International Agreements- Communications from International Agencies

20.1 Obligations under the Unlawful Activities (Prevention) ("UAPA") Act 1967

All offices (HO and Branches) shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (**"UAPA"**) Act, 1967 and amendments thereto, they do not have any account in the name of individuals / entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC). The details of the two lists are as under:

a. The "**ISIL (Da'esh) and Al-Qaida Sanctions List**", established andmaintained pursuant to Security Council resolutions 1267 / 1989 / 2253, which includes names of individuals and entitiesassociated with the Al-Qaida is available at: https://scsanctions.un.org/fop/fop?xml=htdocs/resources/xml/en/consolidated. xml&xslt=htdocs/resources/xsl/en/al-qaida-r.xsl

b. The "Taliban Sanctions List", established and maintained pursuant to Security Council Resolution 1988 (2011), which includes names of individuals and entities associated with the Taliban is available at: https://scsanctions.un.org/fop/fop?xml=htdocs/resources/xml/en/consolidated.xml&xslt=htdocs/resources/xsl/en/taliban-r.xsl.

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All offices (HO and Branches) shall also ensure to refer to the lists as available in the Schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order 2007, as amended from time to time. The above lists, i.e., UNSC Sanctions Lists and lists as available in the Schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order 2007,as amended from time to time, shall be verified on daily basis and any modifications to thelists in terms of additions, deletions or other changes shall be taken into account by all the offices for meticulous compliance.

20.2 Procedure for implementation Section 51A of the Unlawful Activities (Prevention) ("UAPA") Act 1967

Details of accounts resembling any of the individuals /entities in the lists shall be reported to FIU-IND apart from advising Ministry of Home Affairs (**"MHA"**) as required under UAPA notification dated 2 February 2021 (**Annexure-II of Master Direction of RBI on KYC last updated up to *17th October 2023***).

20.3 Freezing of Assets under Section 51A of Unlawful Activities (Prevention) Act 1967

The procedure laid down in the UAPA Order dated February 2, 2021 (**Annexure-II of Master Direction of RBI on KYC last updated up to *17th October 2023***) shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured. The list of Nodal Officers for UAPA is available on the website of Ministry of Home Affairs.

20.4 Obligations under Weapons of Mass Destruction ("WMD") and their Delivery Systems (Prohibition of Unlawful Activities) Act 2005 ("WMD Act 2005")

20.4.1 All offices shall ensure meticulous compliance with the "Procedure for Implementationof Section 12A of the Weapons of Mass Destruction (**"WMD"**) and their Delivery Systems (Prohibition of Unlawful Activities) Act 2005" laid down in terms of Section 12A of the WMD Act 2005 vide Order dated 30 January 2023, by the Ministry of Finance, Government of India **(Annexure III of Master Direction of RBI last updated up to *17th October 2023*).**

20.4.2 In accordance with paragraph 3 of the above Order, all offices shall ensure not to carry out transactions in case the particulars of the individual / entity match with the particulars in the designated list.

20.4.3 Further, all offices shall run a check, on the given parameters, at the time of establishing a relation with a customer and on a periodic basis to verify whether individuals and entities in the

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designated list are holding any funds, financial asset, etc., in the form of deposit / borrower account etc.

20.4.4 In case of match in the above cases, the transaction details with full particulars of the funds, financial assets or economic resources involved, be immediately reported Principal Officer / Compliance Department for on-ward submission of the same to the Central Nodal Officer(**"CNO"**), designated as the authority to exercise powers under Section 12A of the WMD Act 2005. A copy of the communication shall be sent by the Company to State Nodal Officer, where the account / transaction is held and to the RBI. The Company shall file an STR with FIU-IND covering all transactions in the accounts, covered above, carried through or attempted.

It may be noted that in terms of Paragraph 1 of the Order, Director, FIU-India has been designated as the CNO.

a. All offices may refer to the designated list, as amended from time to time, available on the portal of FIU-India.
b. In case there are reasons to believe beyond doubt that funds or assets held by a customer would fall under the purview of clause (a) or (b) of sub-section (2) of Section 12A of the WMD Act 2005, the office concerned shall prevent such individual / entity from conducting financial transactions and immediately inform to Principal Officer / Compliance Department for their on-ward intimation to the CNO by e-mail, FAX and by post, without delay.
c. In case an order to freeze assets under Section 12A is received by the Company from the CNO, the Company shall, without delay, take necessary action to comply with the Order.
d. The process of unfreezing of funds, etc., shall be observed as per paragraph 7 of the Order. Accordingly, copy of application received from an individual/entity regarding unfreezing shall immediately be forwarded by the office concerned to Compliance Department with full details of the asset frozen, as given by the applicant, for their on-ward submission of it to the CNO by email, FAX and by post, within two working days.
e. All offices shall verify every day, the 'UNSCR 1718 Sanctions List of Designated Individuals and Entities', as available at https://www.mea.gov.in /Implementation-of-UNSC-Sanctions-RK.htm, to take into account any modifications to the list in terms ofadditions, deletions or other changes and also ensure compliance with the 'Implementation of Security Council Resolution on Democratic People's Republic of KoreaOrder 2017', as amended from time to time by the Central Government.
f. In addition to the above, all offices shall take into account:
   i. other UNSCRs and
   ii. lists in the First Schedule and the Fourth Schedule of UAPA 1967 and any amendmentsto it for compliance with the Government orders on implementation of Section 51Aof the UAPA and Section 12A of the WMD Act.

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21. Jurisdictions that do not or insufficiently apply the FATF Recommendations

a. FATF Statements circulated by Reserve Bank of India from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered. ***The Company shall apply enhanced due diligence measures, which are effective and proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF.*** Risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement shall be taken into account.

b. Special attention shall be given to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF Statements.

Explanation: The process referred to in Section 38 a and b do not preclude the Company from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statement.

c. The background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations shall be examined, and written findings together with all documents shall be retained and shall be made available to Reserve Bank / other relevant authorities, on request.

d. Companies are encouraged to leverage latest technological innovations and tools foreffective implementation of name screening to meet the sanction requirements.

22. Countermeasures

The Company shall undertake countermeasures when called upon to do so by any international or intergovernmental organisation of which India is a member and accepted by the Central Government.

23. Other Instructions

23.1 Secrecy Obligations and Sharing of Information:

a. All offices shall maintain secrecy regarding the customer information whicharises out of the contractual relationship between the Company and customer.

b. While considering the requests for data / information from Government and other agencies, all offices shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in the transactions.

c. The exceptions to the said rule shall be as under:

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i. Where disclosure is under compulsion of law,
ii. Where there is a duty to the public to disclose,
iii. the interest of bank requires disclosure and
iv. Where the disclosure is made with the express or implied consent of the customer

d. Information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling or for any other purpose without the express permission of the customer.

24. CDD Procedure and sharing KYC information with Central KYC Records Registry ("CKYCR")

a. Government of India has authorized the Central Registry of Securitization Asset Reconstruction and Security Interest of India (**"CERSAI"**) to act as and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated 26 November 2015.
b. In terms of provision of Rule 9(1A) of PML Rules, the Company has to capture customer's KYC records and upload on to CKYCR within 10 days of commencement of an account-based relationship with the customer.
c. Operational Guidelines for uploading the KYC data have been released by CERSAI.
d. All offices shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as per the KYC templates prepared for 'Individuals' and 'Legal Entities' (**"LEs"**), as the case may be. The templates may be revised from time to time, as may be required and released by CERSAI.
e. The 'live run' of the CKYCR started from July 15, 2016 in phased manner beginning with new 'individual accounts'. Accordingly, offices concerned are required to invariably upload the KYC data pertaining to all new individual accounts opened on or after January 1, 2017, with CKYCR. The Company was initially allowed time up to February 1, 2017, for uploading data in respect of accounts opened during January 2017.
f. KYC records pertaining to accounts of LEs opened on or after April 1, 2021 have to be uploaded, with CKYCR in terms of the provisions of the above Rules. The KYC records have to be uploaded as per the LE Template released by CERSAI.
g. Once KYC Identifier is generated by CKYCR, it is to be ensured that it is communicated to the individual / LE as the case may be.
h. In order to ensure that all KYC records are incrementally uploaded on to CKYCR, the office concerned shall upload/update the KYC data pertaining to accounts of individual customers and LEs opened prior to the above mentioned dates as per (e) and (f) respectively at the time of periodic updation as specified in Section 19 of this KYC Policy, or earlier, when the updated KYC information is obtained/received from the customer.
i. it is to be ensured that during periodic updation, the customers are migrated to the current CDD standard.
j. Where a customer, for the purposes of establishing an account based relationship, submits a KYC Identifier to the Company, with an explicit

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consent to download records from CKYCR, then office concerned shall retrieve the KYC records on-line from the CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless:

i. there is a change in the information of the customer as existing in the records of CKYCR;
ii. the current address of the customer is required to be verified;
iii. the Company considers it necessary in order to verify the identity or address of the customer, or to perform Enhanced Due Diligence (**"EDD"**) or to build an appropriate risk profile of the client;
iv. the validity period of documents downloaded from CKYCR has lapsed.

25. Reporting requirement under Foreign Account Tax Compliance Act ("FATCA") and Common Reporting Standards ("CRS")

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

a. Register on the related e-filling portal of Income Tax Department as Reporting Financial Institutions at the link https://incometaxindiaefiling.gov.in/ post login --> My Account --> Registeras Reporting Financial Institution.
b. Submit on-line reports by using the digital signature of the 'Designated Director' by either uploading the Form 61B or 'NIL' report, for which, the schema prepared by Central Board of Direct Taxes (**"CBDT"**) shall be referred to.

   Explanation: All offices shall refer to the spot reference rates published by Foreign Exchange Dealers' Association of India (FEDAI) on their website at http://www.fedai.org.in/RevaluationRates.aspx for carrying out the due diligence procedure for the purposes of identifying reportable accounts in terms of Rule 114H.

c. Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H.
d. Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of the Income Tax Rules.
e. Constitute a "High Level Monitoring Committee" under the Designated Director or any other equivalent functionary to ensure compliance.
   i. Ensure compliance with updated instructions / rules / guidance notes / Press releases / issued on the subject by Central Board of Direct Taxes (CBDT) from time to time and available on the web site http://www.incometaxindia.gov.in/Pages/default.aspx. All offices may take note of the updated Guidance Note on FATCA and CRS - a press release on 'Closure of Financial Accounts' under Rule 114H(8).

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26. Introduction of New Technologies

26.1 Identification and assessment of ML / TF risk shall be done by the Company that may arisein relation to the development of new products and new business practices, includingnew delivery mechanisms and the use of new or developing technologies for both new and pre-existing products.

26.2 Further, the Company shall ensure:

a. to undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and
b. adoption of a risk-based approach to manage and mitigate the risks through appropriate EDD measures and transaction monitoring etc.

27. Quoting of PAN

Permanent Account Number (**"PAN"**) or equivalent e-document thereof of customersshall be obtained and verified while undertaking transactions as per the provisions of Income Tax Rule 114B applicable to the Company, as amended from time to time. Form 60 shall be obtained from persons who do not have PAN or equivalent e- document thereof.

28. Hiring of Employees and Employee training

a. Adequate screening mechanism, including Know Your Employee / Staff Policy, as an integral part of their personnel recruitment / hiring process shall be put in place.
b. The Company shall endeavour to ensure that the staff dealing with / being deployed for KYC/AML/CFT matters have high integrity and ethical standards, good understanding of extant KYC/AML/CFT standards, effective communication skills and ability to keep up with the changing KYC/AML/CFT landscape. The Company shall also strive to develop an environment which fosters open communication and high integrity amongst the staff.
c. On-going employee training programme shall be put in place so that the members of staff are adequately trained in KYC/ AML / CFT policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall be specially trained to handle issues arising from lack of customer education. Proper staffing ofthe audit function with persons adequately trained and well-versed in KYC/ AML / CFT policies of the Company, regulation and related issues shall be ensured.

29. Reliance on Third Party Due Diligence

29.1 For the purpose of identifying and verifying the identity of customers at the time of commencement of an account-based relationship, the Company may rely on by an independent team for FI or a third party, subject to the condition that:

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a. the Company immediately obtains necessary information of such client due diligence carried out by the third party ***or from the Central KYC Records Registry;***

b. the Company takes adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;

c. the Company is satisfied that such third party is regulated, supervised or monitored for and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act; and

d. the third party is not based in a country or jurisdiction assessed as high risk.

29.2 The Company is ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable.

30. Risk Categorisation

30.1 The Company shall put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures in case of higher risk perception of a customer. Such review of risk categorization of customers will be carried out at a periodicity of not less than once in six months.

30.2 The Company shall have a system in place for periodical updation of customer identification data after the account is opened. Full KYC exercise will be done at a periodicity not less than once in ten years in case of low risk category customers, not less than once in eight years in case of medium risk category customers and not less than once in two years in case of high risk category customers.

30.3 Low risk category customers need not submit fresh proofs of identity and address at the time of periodic updation, in case of no change in status with respect to their identities and addresses and a self-certification by the customer to that effect shall suffice in such cases. In case of change of address of such 'low risk' customers, they can forward a certified copy of proof of address by mail/post, etc.

30.4 All the customers under different product categories are categorized into low, medium and high risk based on their profile. The manager while apprising the transaction and rendering his approval will prepare the profile of the customer based on risk categorization. An indicative risk categorization for guidance is provided in **Annexure - 1.** Each business process adopts the risk categorization in their respective credit policies subject to confirmation by compliance based on the credit appraisal, customer's background, nature and location of activity, country of origin, sources of funds, client profile, etc., Where businesses

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believe that a particular customer falling under a category mentioned below is in his judgement falling in a different category, he may categorize the customer so, so long as appropriate justification is provided in the customer file.

31. Customer Education

31.1 The company will have an on-going employee training programme, so that staff members are adequately trained in KYC procedures, who in turn may also educate customer from time to time. The frontline managers shall be fully equipped with the compliance requirements of KYC guidelines in respect of new customer acquisition and shall adhere to the Customer Identification and Acceptance procedure as indicated above.

31.2 The rationale of KYC guidelines shall be updated periodically to new staff members also on an on-going basis. The company shall also prepare an information data file compiling all relevant particulars of its customers, which may be of a personal nature. The said data shall also comprise all related KYC information in respect of existing and past customers.

In addition to the guidelines given under the above Policy, the company may also stipulate other guidelines through its other policy documents and they are also to be adhered to.

32. KYC Audit

32.1 The Company has put in place appropriate procedures to ensure the effective implementation of KYC guidelines. The implementation procedure covers proper management oversight, systems and controls, segregation of duties, training and other related matters.

32.2 Company's internal audit and compliance functions play a role in evaluating and ensuring adherence to the KYC and AML policies and procedures.

32.3 As a general rule, the compliance function also provides an independent evaluation of the company's own policies and procedures, including legal and regulatory requirements.

32.4 Internal Auditors specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed, if any, in this regard.

32.5 The compliance in this regard is put up before the Audit Committee of the Board on quarterly intervals.

33. Amendment / Review of the Policy

33.1 The Policy will be reviewed from time to time in line with the amendments / modifications made by RBI in the Directions / Circulars etc.

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Annexure – 1: Illustrative List of Risk Categorisation

Assessment and Monitoring of Risk

The company will categorize its customers into following risk categories as detailed below. The risk category will be based on the risk perceived based on its experience and review it from time to time. The company will devise procedures for creating risk profiles of its existing and new customers and apply various Anti-Money Laundering measures keeping in view the risks involved in a financial transaction or a business relationship. The company's internal audit and compliance functions shall play an important role in evaluating and ensuring adherence to KYC and AML policies and procedure, including legal and regulatory requirement. The internal audit department shall be at all points of time staffed adequately with individuals who are well versed in such policies and procedures. The company for this purpose, if required, may also engage independent risk management companies/agencies and solicit their independent opinion. The compliance in this regard is being and will continue to be put up before the Audit Committee / Board on a periodical basis.

Risk Categorisation

A. High Risk

- Customers whose the transaction value of exceeds ₹ 10 million
- Non-resident customers
- High net worth customers
- Trusts, Charities, NGOs and organizations receiving donations
- Companies having close family shareholding and beneficial ownership
- Politically Exposed Persons (**"PEP"**): Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a country e.g: Senior Politicians, Heads of States of Governments, Senior Government/ Judicial/Military officials
- Customers who have defaulted in the past, have suspicious background and do not have any financial status
- Customers in high risk countries: (where existence / effectiveness of money laundering controls is insufficient or which do not or insufficiently apply FATF standards, where there is unusual bank secrecy, countries active in narcotics production countries where corruption is highly prevalent. Countries against which government sanctions are applied.

Countries known for any of the following

- Havens/ sponsors of international terrorism, off-shore financial centers, tax havens, countries where fraud is highly prevalent
- Customers with dubious reputations as per public information available etc
- Non face to face client

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B. Medium Risk

- Customers whose transaction value is less than ₹ 1 million

C. Low Risk

- Customers who pose nil or low risk: They are good individual / Corporate/ HNIs who have respectable social and financial standing.
- All customers who are not High Risk are Low Risk Customers.

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Annexure – 2: Customer Identification Procedure

KYC Documents to be obtained for Identification and Verification

Sl No	Category	Identity Proof
1	Individual	– Valid Passport – Valid driving license – Proof of possession of Aadhaar Number – Voter identity card issued by Election Commission of India – Job card issued by NREGA duly signed by an officer of the State Government – Letter issued by the National Population Register containing details of name and address From an individual: a. who is eligible for enrolment of Aadhaar, the Aadhaar number; the Permanent Account Number (PAN) or Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time; Provided where an Aadhaar number has not been assigned to an individual, proof of application of enrolment for Aadhaar shall be obtained wherein the enrolment is not older than 6 months and in case PAN is not submitted, certified copy of an OVD containing details of identity and address and one recent photograph shall be obtained. Explanation: Obtaining a certified copy by reporting entity shall mean comparing the copy of officially valid document so produced by the client with the original and recording the same on the copy by the authorised officer of the reporting entity
		b. who is not eligible to be enrolled for an Aadhaar number, or who is not a resident, the following shall be obtained i. PAN or Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time. ii. one recent photograph and iii. A certified copy of an OVD containing details of identity and address.

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Sl No	Category	Identity Proof
	Sole Proprietary Firms	– Registration certificate including Udyam Registration Certificate (URC) issued by the Government – Certificate/licence issued by the municipal authorities under Shop and Establishment Act – Sales and income tax returns – CST/VAT/ GST certificate – Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities – IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT or Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute – Complete Income Tax Return (not just the acknow-ledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities – Utility bills such as electricity, water, landline telephone bills, etc.
	Company	– Certification of incorporation – MOA/AOA – Permanent Account Number of the Company – Resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf – Documents, like Aadhaar or any OVD documents as specified in KYC Directions 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 – (the registered office and the principal place of its business, if it is different
	Partnership Firms	– Registration certificate – Partnership deed – Permanent Account Number of the firm – Documents, like Aadhaar or any OVD documents as specified in KYC Directions relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the firm's behalf

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Sl No	Category	Identity Proof
	Trust and Foundations	– Registration certificate – Trust deed – Permanent Account Number or Form 60 of the trust – Documents, like Aadhaar or any OVD documents as specified in KYC Directions relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf – the names of the beneficiaries, trustees, settlor and authors of the trust – address of the registered office of the trust; and the – list of trustees and documents as mentioned in KYC Directions for those discharging the role as trustee and authorised to transact on behalf of the trust.
	Unincorporated association or body of individuals	– Resolution of the managing body of such association or body of individuals – Permanent Account Number or Form 60 of the Unincorporated association or body of individuals – Power of attorney granted to him to transact on its behalf – Documents, like Aadhaar or any OVD documents as specified in KYC Directions relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf – Such information as may be required by the company to collectively establish the legal existence of such an association or body of individuals.

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Annexure – 3: KYC Documents to be obtained for address proof

Sl No	Category	Address Proof
1	**Individuals**	– Valid passport – Valid driving license – Proof of possession of Aadhaar Number – Voter identity card issued by Election Commission of India – Job card issued by NREGA duly signed by an officer of the State Government **From an individual:** who is eligible for enrolment of Aadhaar, the Aadhaar number; the Permanent Account Number **("PAN")** or Form No. 60 as defined in Income-tax Rules 1962, as amended from time to time; Provided, where an Aadhaar number has not been assigned to an individual, proof of application of enrolment for Aadhaar shall be obtained wherein the enrolment is not older than 6 months and in case PAN is not submitted, certified copy of an OVD containing details of identity and address and one recent photograph shall be obtained. Explanation : Obtaining a certified copy by reporting entity shall mean comparing the copy of officially valid document so produced by the client with the original and recording the same on the copy by the authorised officer of the reporting entity".
	Individual	From an individual who is not eligible to be enrolled for an Aadhaar number, or who is not a resident, the following shall be obtained i. PAN or Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time. ii. one recent photograph and iii. A certified copy of an OVD containing details of identity and address. In case the identity information relating to the Aadhaar number or Permanent Account Number submitted by the customer does not have current address, an OVD as defined in Section 3(a)(xiv) of KYC Master Directions shall be obtained from the customer for this purpose.

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		Provided that in case the OVD furnished by the customer does not contain updated address, the following documents 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;
		v. 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; Provided further that the customer shall submit Aadhaar or OVD updated with current address within a period of three months of submitting the above documents.
	Company	– Certification of incorporation – MOA/AOA – Permanent Account Number of the Company – Resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf – Documents, like Aadhaar or any OVD documents as specified in KYC Directions 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 (the registered office and the principal place of its business, if it is different
	Partnership Firms	– Registration certificate – Partnership deed – Permanent Account Number of the firm

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		Documents, like Aadhaar or any OVD documents as specified in KYC Directions relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the firm's behalf
	Trust and Foundations	– Registration certificate – Trust deed – Permanent Account Number or Form 60 of the trust – Documents, like Aadhaar or any OVD documents as specified in KYC Directions relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf – the names of the beneficiaries, trustees, settlor and authors of the trust – address of the registered office of the trust; and the – list of trustees and documents as mentioned in KYC Directions for those discharging the role as trustee and authorised to transact on behalf of the trust.
	Unincorporated association or body of individuals	– Resolution of the managing body of such association or body of individuals – Permanent Account Number or Form 60 of the Unincorporated association or body of individuals – Power of attorney granted to him to transact on its behalf – Documents, like Aadhaar or any OVD documents as specified in KYC Directions relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf – Such information as may be required by the company to collectively establish the legal existence of such an association or body of individuals.
	Sole Proprietary Firms	**<u>For proprietary concerns, the company should call for and verify any two of the following documents:</u>** – Registration certificate including Udyam Registration Certificate (URC) issued by the Government – Certificate/licence issued by the municipal authorities under Shop and Establishment Act – Sales and income tax returns – CST/VAT/ GST certificate – Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities – IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT or Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute – Complete Income Tax Return (not just the acknow-ledgement) in the name of the sole proprietor where the firm's income is reflected, duly

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		authenticated/acknowledged by the Income Tax authorities Utility bills such as electricity, water, landline telephone bills, etc.

Notwithstanding the list of documents as stated above, in case of change, if any, in the regulations as notifies by RBI, from time to time, the list of documents as prescribed by RBI shall prevail over the above.

In case of proprietary concern, the documents shall be in the name of the concern

Note:

1. All the applicants shall valid ID proof as prescribed above.
2. 'Simplified measures' may be applied in the case of 'low risk' customers taking into consideration the type of customer, business relationship, nature and value of transactions based on the overall money laundering and terrorist financing risks involved. In respect of low risk category of customers, where simplified measures are applied, it would be sufficient to obtain any of the documents mentioned below for purpose of:

a. Proof of identity

- Identify card with applicant's Photograph issued by Central / State Government Departments, statutory / Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks and Public Financial Institutions: and
- Letter issued by a gazetted officer, with a duly attested photograph of the person

b. Proof of address

The following documents shall be deemed to be officially valid documents for 'low risk' customers for the limited purpose of proof of address where customers are unable to produce any Officially Valid Document (**"OVD"**) for it:

- Utility bills which is not more than two months old of any service provider (electricity, telephone, post paid mobile, piped gas, water bill);
- Property or Municipal Tax receipt;
- Pension or family Pension Payment Orders (PPOs) issued to retired employees by government Departments or public Sector Undertakings, if they contain the address;
- Letter of allotment of accommodation from employer issued by State or Central Government 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
- Documents issued by Government departments of foreign jurisdictions and letter issued by Foreign Embassy or Mission in India.
- Over and above the KYC identification of the customer as per the process laid in above, in case the customers is residing at an address different from the address mentioned in the proof submitted in accordance with **Annexure - 2 (KYC-AML**

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Policy), the company shall collect any of the documents listed below in addition to one address proof as listed in **Annexure - 2** for communication / contact address :-

- Latest Telephone bill - landline and post-paid mobile bills (Not more than six months old)
- Latest Utility bills (not more than six months old)

Registered Lease deed along with utility bill in the name of the landlord.

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Annexure – 4: Illustrative list of activities which would be construed as Suspicious Transactions

- Activities not consistent with the customer's business, i.e. accounts with large volume of credits whereas the nature of business does not justify such credits.
- Any attempt to avoid Reporting / Record-keeping Requirements /provides insufficient / suspicious information
- A customer who is reluctant to provide information needed for a mandatory report, to have the report filed or to proceed with a transaction after being informed that the report must be filed.
- Any individual or group that coerces/induces or attempts to coerce/induce the Company employee from not filing any report or any other forms.
- An account where there are several cash transactions below a specified threshold level to avoid filing of reports that may be necessary in case of transactions above the threshold level, as the customer intentionally splits the transaction into smaller amounts for the purpose of avoiding the threshold limit.
- Certain employees of the Company arousing suspicion
- An employee whose lavish lifestyle cannot be supported by his or her salary.
- Negligence of employees / wilful blindness is reported repeatedly.
- Some examples of suspicious activities/transactions to be monitored by the operating staff
- Multiple accounts under the same name
- Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc;
- There are reasonable doubts over the real beneficiary of the loan
- Frequent requests for change of address

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Annexure – 5: Illustrative Red Flag Indicators

List of red flag indicators has to be appropriately built into the system as mentioned below:

- Change in Residential Status
- Politically Exposed Persons – political role such as holding party position, MLA, MP, Councilors, Panchayat Board President, Corporation members etc.,
- Arrest by Police for any criminal charges
- Enforcement Directorate action / Income Tax/ Commercial Tax / other regulatory bodies
- Customers against whom criminal and other cases by forest department and GST authorities etc are pending
- Adverse newspaper report
- Appearing in caution list published by the RBI / FIU etc

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