

SARASWATI COMMERCIAL (INDIA) LIMITED

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KYC POLICY

(Effective from 24.07.2017)

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KNOW YOUR CUSTOMER' POLICY GUIDELINES

The objective of 'Know Your Customer (KYC) Guidelines' is for Saraswati Commercial (India) Limited to know/understand its customers and their financial dealings and help the company to manage its risks prudently; It is also to prevent Saraswati Commercial (India) Limited (hereinafter referred to as the Company) from being used, intentionally or unintentionally, by criminal elements for money laundering / anti-national activities.

INTRODUCTION

Saraswati Commercial (India) Limited is an investment/ Finance company. It is categorized as a Non-Systemically Important Non-deposit taking NBFC (Regulated Entity as defined under these Directions). The company is primarily engaged in the business of investment and trading in shares and securities. Company lends surplus money to for short term to its group companies, Corporates and High Net worth individuals. Company is lending in the form of revolving Loan facilities and Short-Term Loans.

Reserve Bank of India (RBI) on February 25, 2016 (**bearing ref no. RBI/DBR/2015-16/18 DBR.AML.BC. No.81/14.01.001/2015-16**) notified the Know your customer (KYC) Directions, 2016 (**KYC Directions, 2016**), inter alia, directing that every Regulated Entity shall have a Know your customer (KYC) Policy duly approved by the Board of Directors. These directions have been issued by the RBI in terms of the provisions of Prevention of Money-Laundering Act, 2002 (**PMLA**) and the Prevention of Money-Laundering (Maintenance of Records) Rules 2005.

The Company shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications accordingly to conform to the standards prescribed.

1. Applicability:

It may be noted that KYC policy shall prevail over anything else contained in any other document/process/circular/letter/instruction in this regard (KYC). This policy shall be applicable to all activities of the Company whether existing or rolled out in future.

2. Saraswati 's KYC policy has the following four key elements:

- I. Customer Acceptance Policy;
- II. Customer Identification Procedure (CIP);
- III. Monitoring of Transactions; and
- IV. Risk management.

3. Key Words/Definition:

- A “**Customer**” means a person who is engaged in a financial transaction or activity with a NBFC and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting
- A “**transaction**” means a purchase, sale, availing a loan / having financial arrangement, pledge, gift, transfer, delivery or the arrangement thereof.-
- “**Customer Due Diligence (CDD)**” means identifying and verifying the customer and the beneficial owner using ‘Officially Valid Documents’ as a ‘proof of identity’ and a ‘proof of address’.
- “**Customer identification**” means undertaking the process of CDD.
- **Officially valid document (OVD) - Definitions**
OVD is defined to mean any one of the following:
 - the passport,
 - the driving license,
 - the Permanent Account Number (PAN) Card,
 - the Voter’s Identity Card issued by Election Commission of India,
 - the letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar (Including E-Aadhaar) number or any other document which may be specified by Government/ Regulator .

No other document will be accepted as OVD for ID proof.

Other terms not specifically defined here shall have the same meaning as assigned to them under the KYC Directions, 2016 or the PMLA.

BENEFICIAL OWNER

- 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 person, has/have a controlling ownership interest or who exercise control through other means.

Explanation- For the purpose of this sub-clause-

1. "Controlling ownership interest" means ownership of or entitlement to more than twenty-five percent of shares or capital or profits of the company;
2. (a) "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;

- B. where the **customer is a partnership firm**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of/entitlement to more than fifteen percent of capital or profits of the partnership;

- 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 ownership of or entitlement to more than fifteen percent of the property or capital or profits of such association or body of individuals;

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.

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- D. Where the customer is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustees, the beneficiaries with 15 % 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.
- E. where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

Type of Customer	% of shares / capital entitlement or ownership --- Persons to be considered Beneficial Owners (BOs)
Private Ltd Co (Controlling ownership interest means ownership of/entitlement to)	25% of the Shares or Capital or Profits of the Company entitlement.
Unincorporated Association or body of Individuals	15% of the Property or Capital or Profits of Unincorporated Association or body of Individuals.
Partnership Firm	Partners with more than 15% share in the profits
Trusts	The trust, the trustee, the beneficiaries with 15% or more interest in the trust

CUSTOMER ACCEPTANCE POLICY

1. Customers who are acceptable to Company as per the Risk categorization should fulfill all criteria related to submission of Officially Valid Documents (OVD) as defined by RBI from time to time.
2. Company shall refrain from entering into any transactions where Company is unable to apply appropriate Customer Due Diligence (CDD) measures.

3. In the event, the customer is permitted to act on behalf of another person/entity, Company shall verify that the customer has the necessary authority to do so by scrutinizing the authorizing document/s.
4. Any transactions shall not be initiated in an anonymous or fictitious/ benami name(s) and Company will also use RBI caution advices in determining the customer acceptance framework.
5. 'Optional'/additional information shall be obtained with the explicit consent of the customer if required, at any point of time.
6. It is important to bear in mind that the adoption of Customer Acceptance Policy and its implementation should not become too restrictive and must not result in denial of the company's services to general public.

CUSTOMER IDENTIFICATION PROCEDURE

1. Customer identification means identifying the customer and verifying his/ her identity by using prescribed documents, data or information. The Customer Identification Policy approved by the Board has to be strictly adhered to at different stages, i.e. while establishing a relationship; carrying out a financial transaction or when the Company has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.
2. As stated in the Customer Acceptance Policy, Company shall ensure that its customer is not a fictitious person by verifying the identity of the customer through documentation and shall also carry out necessary checks, so as to confirm that the identity of the customer on the basis of the documents obtained does not match with any person with known criminal background or with banned entities, such as individual terrorists or terrorist organizations.
3. A list of the nature and type of documents/information that may be relied upon for customer identification is given in the **Annex - A**. Officials have to follow these guidelines based on their experience of dealing with such persons/entities, normal prudence and the legal requirements as prescribed here and as amended from time to time by regulators and laws.

RISK MANAGEMENT

1. The aim of this policy is to ensure that an effective KYC programme is in place by establishing appropriate procedures and ensuring their effective implementation. Officials involved with day to day functioning and interaction with the customer's including those at administrative offices supervising them need to have proper management oversight, systems and controls, segregation of duties, training and other related matters to ensure statutory compliance with the KYC program. Responsibility should be explicitly allocated within the Company for ensuring that the policies and procedures are implemented

effectively. Accordingly, the company has detailed, through its Credit Risk management and Policy, the Underwriting criteria, that are enhanced due diligence and customer identification and acceptance procedure.

2. The company may categorize its customers into ‘High Risk / Medium Risk / Low Risk’ according to risk perceived based on its experience and review it from time to time. The company may 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 policies and procedure, including legal and regulatory requirement. The compliance in this regard is being and will continue to be put up before the Audit Committee on a periodical basis.
3. Risk Categorization is based on customer’s identity, social/ financial status, nature of business activity and information about client’s business and their location.

	Low Risk Customer	Medium Risk Customer	High Risk Customer
Definition	<p>a. Customers like salaried people – wherein all their income and expenses details are transparent and well structured.</p> <p>b. All the related party entities to whom the loan is been provided shall be considered as low risk Customers</p>	<p>a. Customers those are less risky in nature as compare to high risk customers – can be categorised as Medium Risk.</p> <p>b. Wherein only customers basic requirements of verifying the identity and location are to be met.</p>	<p>Customers are categorized as Higher Risk customers depending on customer's background, nature and location of activity, country of origin, sources of funds and his customer’s profile, etc.</p>

MONITORING OF TRANSACTIONS

- The company normally does not and would not have large cash transactions. However, if and when cash transactions of Rs. 1 Lakh and above are undertaken, the company will keep proper record of all such cash transactions in a separate register maintained at its office.
- The company shall monitor transactions of a suspicious nature on an ongoing basis for the purpose of reporting it to the appropriate authorities. The extent of monitoring by the Company will depend on the risk sensitivity of the account and special attention will be given to all complex unusually large transactions, which have no apparent economic or lawful purpose.

- The company shall promptly report such high value cash transactions or transactions of a suspicious nature to the appropriate regulatory and investigating authorities, as per the provisions of the PMLA and the Rules.
- Company shall exercise caution with respect to the transactions with persons (including legal persons and other financial institutions) from the countries which have been identified by Financial Action Task Force (FATF) as high risk and non-cooperative jurisdictions with respect to compliance with the FATF Recommendations, 2012.

MAINTENANCE OF RECORDS OF TRANSACTIONS

The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provisions of PML Act and Rules. NBFC's shall,:

- a. maintain all necessary records of transactions between Company and the customer, both domestic and international, for at least five years from the date of 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 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:
 - (1) the nature of the transactions;
 - (2) the amount of the transaction and the currency in which it was denominated;
 - (3) the date on which the transaction was conducted; and
 - (4) 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;
- 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.

ON-GOING DUE DILIGENCE

- The company shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and the source of funds.
- Without prejudice to the generality of factors that call for close monitoring following types of transactions shall necessarily be monitored:
 - a. Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
 - b. Transactions which exceed the thresholds prescribed for specific categories of accounts.
 - c. Deposit of third party cheques, drafts, etc. in the existing and new transactions followed by cash withdrawals for large amounts.
 - d. High account turnover inconsistent with the size of balance maintained.

PERIODICAL UPDATION OF KYC DOCUMENTS

1. Based on the risk profile of the customers, customers shall be asked to update his/her KYC documents periodically. Full KYC exercise will be required to be done
 - at least every two years for high risk individuals and entities. (High Risk Customers are mentioned customer acceptance policy)
 - at least every three years for medium risk individuals and entities taking in to account whether and when Customer due diligence measures have previously been undertaken and the adequacy of data obtained. Physical presence of the customers may, however, not be insisted upon at the time of such periodic updations; and
 - at least every five years for low risk; and
 - The time limits prescribed above would apply from the date of the opening of the account or last verification of KYC as the case may be.
 - Fresh photographs will be required to be obtained from minor customer on becoming major.
2. It is the duty of the customer to advise immediately any change of his registered address. In case a customer is found not residing in his recorded address, he/she shall be asked to submit updated KYC documents along with current address proof at the earliest.

SECRECY OBLIGATIONS AND SHARING OF INFORMATION

- The Company shall maintain secrecy regarding the customer information which arises out of the transactions between the company and customer.

- While considering the requests for data/information from Government and other agencies, company 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.
- The exceptions to the said rule shall be as under:
 - i. Where disclosure is under compulsion of law;
 - ii. Where there is a duty to the public to disclose;
 - iii. Where the disclosure is made with the express or implied consent of the customer.
 - iv. Where the interest of a Company requires disclosure.

Apart from the above obligations, Company shall maintain confidentiality of information as provided in Section 45NB of RBI Act 1934.

REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA

- Monitor transactions of a suspicious nature and report the same to the Financial Intelligence Unit- India (FIU- IND); verification and maintenance of records of transactions of customers in accordance with PMLA and the Rules made thereunder;
- All other requirements under FATCA/CRS/PML/FIU-Ind relating to appointment of designated officer/director, principal officer and reporting requirements relating to filing of Suspicious Transaction Report (STR), Cash Transaction Report (CTR), counterfeit currency report (CCR) and other applicable reports filling under FATCA will be complied with in terms of the direction of the RBI or the other authorities to the extent applicable to Company.

There are five reporting formats prescribed for a Non-banking finance company viz.

- Manual reporting of cash transactions
- Manual reporting of suspicious transactions
- Consolidated reporting of cash transactions by Principal Officer of the bank
- Electronic data structure for cash transaction reporting and
- Electronic data structure for suspicious transaction reporting which are enclosed to this circular.

Submission of the reports to Financial Intelligence Unit (FIU) -IND. CTR format as guided by RBI.

CDD PROCEDURE AND SHARING KYC INFORMATION WITH CENTRAL KYC RECORDS REGISTRY (CKYCR)

- (a) Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015.

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- (b) In terms of provision of Rule 9(1A) of PML Rules, the Company shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.
- (c) Company 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. Company shall ensure that during periodic updation, the customers are migrated to the current CDD standard.

REPORTING REQUIREMENT UNDER FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA) AND COMMON REPORTING STANDARDS (CRS)

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

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

Board of Directors of the company and/or Senior Management of the company will be responsible for implementation and adherence of this KYC policy.

Further company shall adhere to all other applicable provisions of "Master Direction - Know Your Customer (KYC) Direction, 2016", updated from time to time.

Annex-A

Customer Identification Procedure

Documents that may be obtained from customers

Customers	Documents (Certified copy of any one of the following officially valid document)
Accounts of individuals	<p>Identity Proof: (Copy of one of the following)</p> <p>(i) Passport (ii) PAN card (iii) Voter’s Identity Card issued by Election Commission (iv) Driving License (v)Aadhar Card</p> <p>Residence proof: (Copy of one of the following)</p> <ul style="list-style-type: none"> • Utility Bill (Latest Telephone / Post-paid mobile / Electricity bill) • Property or Municipal Tax receipt • Bank Account or post office savings bank account statement • Passport • Driving Licence • Voter’s Identity Card • Aadhar Card. <p>A copy of the marriage certificate or Gazette notification, in case of change in name</p>
In case of Non-Individual (As applicable)	<p>Identity & Residence proof (Copies of the following)</p> <ul style="list-style-type: none"> • Income Tax PAN Card • Incorporation Certificate & Memorandum & Articles of Association (Registration Certificate & Deed, in case of Partnership firm/Trust) • CST/VAT/Service Tax registration /GST registration/ Shops & Establishment Certificate, as applicable • List of Directors/Partners/Trustees along with their OVDs as above. • Latest shareholding pattern, along with the list of major shareholders having more than 25% of holding, in case of company. • Utility bill