

# **SARASWATI COMMERCIAL (INDIA) LIMITED**

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## **KYC AND PML POLICY**

<b>Effective From</b>	<b>09.04.2016</b>
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**KNOW YOUR CUSTOMER' POLICY GUIDELINES**

Reserve Bank of India [“RBI”], has issued the Know Your Customer (Reserve Bank) Directions, 2016 [the “KYC Directions”] bearing reference DBR.AML.BC.No. 81/14.01.001/2015-16 dated 25th February, 2016. The said directions are applicable to the Company, being a Non-Banking Financial Company having customer interface. The guidelines mainly address the risks associated to KYC Procedures, Anti Money Laundering [“AML”] Standards, regulations under the Prevention of Money Laundering Law [“PMLA”], and the recommendations of the Financial Action Task Force [“FATF”] on AML Standards.

In view of the same, the Company, has framed this KYC and PML Policy [this “Policy”], based on the policy framework prescribed by RBI under the KYC Directions and PMLA, along with suitable stricter modifications wherever necessary.

**1. Introduction**

Saraswati Commercial (India) Limited (“The Company”) is an Investment and Credit Company (ICC). The Company is engaged in the business of investment and trading in shares and securities & lending activities. Company lends money for short term purpose to its group companies, Corporates and High Net worth individuals. Company is lending in the form of revolving Loan facilities and Short-Term Loans.

**2. 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.

**3. Objective:**

This policy has been framed for attaining the following objectives:

- To enable the Company to know and understand its customers and financial dealings in a better manner, which in turn, shall help manage the risks prudently.
- To establish appropriate, effective and efficient controls for detection and reporting of suspicious activities in accordance with the applicable laws / laid down procedures.
- To prevent criminal elements from using the Company for money laundering activities.
- To ensure importance of KYC / AML / Combating the Financing of Terrorism [“CFT”] is established with the concerned employees / persons dealing with customers on behalf of the Company.
- To ensure adequate training to the employees / persons dealing with customers on behalf of the Company in the KYC / AML / CFT procedures.

- To comply with the applicable regulations and operate within the regulatory framework prescribed by the regulator.

This policy shall be applicable organization-wide to all employees / persons dealing with customers on behalf of the Company. This policy is to be read in conjunction with the operational guidelines issued from time to time. The content of this policy shall always be read in tandem / auto-corrected with the changes / modifications as may be advised by RBI and / or by PMLA and amendments of the Directions, from time to time

Note: Terms used under this policy and not defined hereunder shall have the same meaning as assigned to them under the KYC Directions, PMLA Act 2002 or Rules thereunder, Aadhar Act, 2016 or rules made thereunder and any other applicable provisions.

#### **4. 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
- **“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.
- **“Know Your Customer (KYC) Identifier”** means the unique number or code assigned to a customer by the Central KYC Records Registry.
- 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)**

“Officially Valid Document” (OVD) means

1. the passport,
2. the driving license,
3. proof of possession of Aadhaar number,

4. the Voter's Identity Card issued by the Election Commission of India,
5. job card issued by NREGA duly signed by an officer of the State Government and
6. letter issued by the National Population Register containing details of name and address.

Provided that, (i) where the customer submits their proof of possession of Aadhaar number as an OVD, they may submit it in such form as are issued by the Unique Identification Authority of India and (ii) 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:

- utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, 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 Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation.
- the customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'ii' above

➤ **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 ten percent of shares or capital or profits of the company;
2. "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 ten 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.

- 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 10 % 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.

<b>Type of Customer</b>	<b>% of shares / capital entitlement or ownership --- Persons to be considered Beneficial Owners (BOs)</b>
Company (Controlling ownership interest means ownership of/entitlement to)	10% 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 10% of capital or profits
Trusts	Author of the trust, the trustee, the beneficiaries with 10% or more interest in the trust

## 5. Roles and Responsibilities

The Board or Senior Management as determined by the board shall have following roles and responsibilities:

- Allocation of responsibility for effective implementation of policies and procedures and overview of the implementation
- Independent evaluation of the compliance functions of the policies and accompanying procedures, including legal and regulatory requirements.
- Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures.
- Submission of quarterly audit notes and compliance to the Audit Committee.

- To ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

## **6. PMLA Framework and Training**

The Company shall place adequate mechanism at each stage of the lending operation from sanction, disbursement to collection, for ensuring identification of transactions Money Laundering Transactions and flow of laundered money into the system.

A detailed Standard Operating Procedure and checklist of precautions to be taken has been formulated by the Operations Head and approved by the Board of Directors and shall be updated from time to time. The documents shall be timely escalated and consistent checks shall be carried across organization to the concerned personnel.

Appropriate and timely training sessions shall be held for all the employees of the company engaged in the lending operations, irrespective of dealing with the customer or not, to ensure updated knowledge of the subject matter and effective adherence with the internal policies and framework

## **7. KYC Framework has the following key elements:**

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

### **I. CUSTOMER ACCEPTANCE POLICY**

1. No account is opened in anonymous or fictitious/ benami name(s)
2. 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.
3. Company shall refrain from entering into any transactions where Company is unable to apply appropriate Customer Due Diligence (CDD) measures.
4. 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.
5. 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.

6. 'Optional'/additional information shall be obtained with the explicit consent of the customer if required, at any point of time.
7. The Company shall subject the customer to CDD procedures on the Unique Customer Identification Code level ["UCIC"]. Pursuant to this, if an existing KYC compliant customer of the Company desires to obtain other facility offered by the company, there shall be no need for a fresh CDD exercise.
8. Circumstances in which, a customer is permitted to act on behalf of another person/entity but not as an agent/intermediary, is clearly spelt out and communicated to the customers.
9. Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.
10. Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
11. Where an equivalent e-document is obtained from the customer, the Company shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
12. Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.
13. The company shall not allow opening and/or holding of an account on behalf of customer/s by professional intermediaries, like lawyers and Chartered accountant, etc. who are unable to disclose true identity of the owner of the account/funds due to any professional obligation of customer confidentiality. Further any professional intermediary who is under any obligation that inhibits the company's ability to know and verify the true identity of the customer on whose behalf the account is held or beneficial ownership of the account or understand true nature and purpose of transaction/s, should not be allowed to open an account on behalf of a customer.
14. 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.

### **Specific Prohibitions**

The company shall not extend any facility/ies to the person/businesses/corporate entities identified as:

1. Domiciled/Incorporated/Resident of the Countries, governments, entities and individuals that are subject to economic sanctions.
2. List of terrorist Individuals/Organizations- Under UN Security Council resolution pursuant to resolutions 1267(1999) ,1989(1999) and similar resolutions.
3. Entities/Person against whom any regulatory/legal actions/industry committee are initiated/pending or completed but 5 years have not elapsed.
4. Entities/persons involved in unlawful activities.
5. Where the company forms a suspicion of money laundering or terrorist financing, and it reasonably believes that performing the CDD process will tip-off the customer, it shall not pursue the CDD process, and instead file an STR with FIU-IND.

### **II. CUSTOMER IDENTIFICATION PROCEDURE (CIP)**

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.
  - a. while establishing a relationship;
  - b. 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.



4. Additional Considerations

The Company will obtain information stated below necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship.

Being satisfied means that the Company must be able to satisfy the competent authorities like RBI that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place. Besides risk perception, the nature of information/documents required would also depend on the type of customer.

The Company shall assign a Unique Customer Identification Code [“UCIC”] to both existing as well as new customers, in order to link all account-based relationships / transactions to the customer.

**III. CUSTOMER DUE DILIGENCE**

Risk Management Committee shall ensure strict adherence to all the below procedures, as the due diligence conducted herewith shall constitute the decision on the type, tenure and quantum of the credit facility that will be extended

The company shall obtain from its customer the documents available with them prior to on-boarding the customer:

The Company shall obtain the documentation or an equivalent e-document (wherever permissible) as indicated in **Annexure A** from a customer while establishing an account-based relationship/facility or when dealing with the individual, who is a beneficial owner, authorized signatory or the power of attorney holder.

Such other documents including in respect of the nature of business and financial status of the customer, or an equivalent e-document of any OVD, the Company verify the digital signature as per provisions of IT Act, 2000 and

The information collected from customers for the purpose of opening of account will be treated as confidential and details thereof will not be divulged for the purpose of cross selling, or for any other purpose without the explicit permission of the customer to the Company.

Note:

1. The company shall also, for the purpose of CDD, accept scanned copies of documentation over website/app/email (for initial processing and collection at a later scheduled date)

2. The company shall always ensure that the document is obtained is in the form prescribed by RBI in its master Directions.
3. For Individuals (customers or authorized representatives of the Non-Individual Customer), CDD can be performed through KYC identifier with an explicit consent of the client.
4. The company currently operates only through offline verification mode and hence other CDD modes stated in the RBI Directions are not highlighted in this policy.

### **Enhanced Due Diligence**

The Company generally does not establish any relationship with Politically Exposed Person (PEPs) but it shall have the option of establishing a relationship with PEPs, the Company shall comply with RBI regulations. Any sanction to a Politically Exposed Person shall be pre-authorized by the Board of Directors of the Company.

Here, "PEP" shall mean are individuals who are or have been entrusted with prominent public functions **by a foreign country**, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials.

### **IV. MONITORING OF TRANSACTIONS**

1. 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.
2. 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.
3. 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.
4. 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.

**V. 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.

	<b>Low Risk Customer</b>	<b>Medium Risk Customer</b>	<b>High Risk Customer</b>
<b>Definition</b>	<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>

<b>Type of Customers</b>	Illustrative List of Customer is classified in Annex B below
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**8. Maintenance of Records of Transactions**

The following steps shall be taken regarding maintenance, preservation and reporting of customer account information (including updated records of the identification data, account files, business correspondence and results of any analysis undertaken), with reference to provisions of PML Act and Rules. The company 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.

**9. 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.

**10. Periodical Updation of KYC Documents**

1. Based on the risk profile of the customers, customers shall be asked to update their 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. Updation in case of No change in KYC Information:
  - a. Individual Customers:

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. Customers Other than Individuals

In case of no change in the KYC information of the Non-Individual customer, a self-declaration in this regard shall be obtained from the Non-Individual customer through its email id registered with the Company, digital channels (such as online platform, mobile application of the Company), letter from an official authorized by the Borrower 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.

3. Periodic Updation in case of change in address:

a. Individual Customers:

- 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 customer through customer's email-id registered with the Company, customer's mobile number registered with the Company, digital channels (such as online platform, mobile application of the Company), letter, etc.
- The declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables etc.
- Further, the Company at their option, may obtain a copy of OVD or deemed OVD or the equivalent e-documents thereof for the purpose of proof of address, declared by the customer at the time of periodic updation.

b. Customers Other than Individuals

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

4. Special Considerations

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.

5. The Company shall ensure the following:

The KYC documents of the customer as per the current CDD standards are available. 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.

## **11. 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.

## **12. 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 filling 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.**

1. Manual reporting of cash transactions
2. Manual reporting of suspicious transactions
3. Consolidated reporting of cash transactions by Principal Officer of the Company
4. Electronic data structure for cash transaction reporting and
5. 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.

**13. 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.
- (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.
- (d) Once KYC Identifier is generated by CKYCR, the Company shall ensure that the same is communicated to the individual/Customers other than Individuals as the case may be.

**14. 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.

**15. Exceptions to the Policy**

Exceptions to this Policy must be approved by the person so authorized by the Board of Directors and the Risk Management Committee (RMC) as per the severity of each case and their availability. All exceptions must be documented, with reasons for the exceptions, including expiration or review date and, wherever necessary, include an action plan and timelines for compliance with the Policy.

An annual reporting to the Audit Committee of the Board shall be done in case of any exceptions to the policy.

**16. Review of KYC & PML Policy**

This KYC & PML Policy is to be reviewed by the Board of Directors on an Annual basis as per the suggestions of the Head of Operations and in consultation with the Risk Management Committee for necessary changes required for improvement in mechanisms to address the risks.

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## Annex-A

## Customer Identification Procedure

## Documents that may be obtained from customers

## 1. INDIVIDUAL

Documents	Identity Proof	Address Proof
<b>Customers shall submit one of the six Officially Valid Documents (OVDs) for proof of identity and of address (which are mentioned from point no #1 to #6). Digi Locker printouts can be accepted of photocopies of the originals. Though PAN/Form 60 is mandatory for all the Borrowers.</b>		
1.Aadhar Number / Proof of Possession of Aadhar No	Applicable	Applicable
2. Copy of valid Indian Passport	Applicable	Applicable
3. Copy of Voter's Identity Card issued by Election Commission of India	Applicable	Applicable
4. Copy of JOB card issued by NREGA duly signed by an officer of the State Government	Applicable	NA
5. Copy of Driving Licence	Applicable	Applicable
6. Letter issued by the National Population Register (NPR) containing details of name & address	Applicable	Applicable
In case 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 for e-months' time, post which they will need to furnish any of the above mentioned OVD with current address.		
7. Letter of allotment of accommodation from employer issued by State/Central government Depts, Statutory or Regulatory Bodies, Public Sector Undertakings, Scheduled Commercial Banks, Financial Institutions, and listed companies and leave and licence agreements with such employers allotting accommodation.	NA	Applicable
8. Pension or family Pension Payment Orders (PPOs) issued to retired employees by Govt Dept. or Public Sector	NA	Applicable

Undertakings; if they contain the address.		
9. Latest utility bill which is not more than 2 months old of any service provider (electricity, landline, post-paid mobile, piped gas, water bill)	NA	Applicable
10. Property or Municipal Tax receipt	NA	Applicable
<b>Other Documents</b>		
11. the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962	Applicable	Applicable

## 2. Proprietorship

Documents	Legal Existence Proof	Address Proof
Any two of below mentioned documents are mandatory *certified copies of the mandatory documents or the equivalent e-documents thereof shall be obtained as listed below.		
1. Registration Certificate (including Udyam Registration Certificate (URC) issued by the Government)	Applicable	Applicable
2. Certificate or License issued by Municipal Authority under Shop or Establishment Act	Applicable	Applicable
3. Sales and IT returns	Applicable	Applicable
4. CST/VAT/GST certificate	Applicable	Applicable
5. IEC issued to the proprietary concern by the office of DGFT/Licence/certificate of practice issued in the name of proprietary concern by any professional body incorporated under a statute	Applicable	Applicable
6. Complete IT return in the name of sole proprietor where the firm's income is reflected duly authenticated or acknowledged by the Income Tax Authority	Applicable	NA
7. Latest utility bill which is not more than 2 months old of any service provider (electricity, landline phone bill, water tax bill)	NA	Applicable
8. Documents pertaining to Beneficial Owner as stated for Individuals	Applicable	Applicable

\*Two documents are mandatory for Proprietors, however if the borrower is not able to furnish two such documents, the Company may accept only one of those documents as proof of

business/activity provided positive contact point of verification is carried out and existence of firm and business activity is verified from the address of the proprietorship concern.

### 3. Partnership/LLP

Documents	Legal Existence Proof	Address Proof
<b>Certified copies each of the following documents or equivalent e-documents thereof shall be obtained</b>		
1. Registration Certificate	Applicable	Applicable
2. Partnership Deed	Applicable	Applicable
3. PAN of the Partnership firm	Applicable	NA
4. Identity Documents i.e. OVD of the person holding the attorney to transact on its behalf	NA	NA
<b>Anyone of the below mentioned document is mandatory</b>		
5. Latest Landline Bill (not more than 2 months old)	NA	Applicable
6. Latest Electricity Bill (not more than 2 months old)	NA	Applicable
7. Latest Water Bill (not more than 2 months old)	NA	Applicable
<b>Other Documents</b>		
8. Documents pertaining to Beneficial Owner as stated for Individuals	Applicable	Applicable
9. the names of the relevant persons holding senior management position; and	Applicable	Applicable
10. the registered office and the principal place of its business, if it is different	Applicable	Applicable

### 4. Company

Documents	Legal Existence Proof	Address Proof
<b>Certified copies of each of the following documents or the equivalent E-Documents thereof shall be obtained</b>		
1. MoA and AoA	Applicable	Applicable
2. Certificate of Incorporation	Applicable	Applicable
3. PAN of the Company	Applicable	NA
4. A Resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf	Applicable	Applicable
5. Identity Documents i.e. OVD of the person holding the attorney to transact on its behalf	NA	NA
<b>Anyone of the below mentioned document is mandatory</b>		

6. Latest Landline Bill (not more than 2 months old)	NA	Applicable
7. Latest Electricity Bill (not more than 2 months old)	NA	Applicable
8. Latest Water Bill (not more than 2 months old)	NA	Applicable
<b>Other Documents</b>		
8. Documents pertaining to Beneficial Owner as stated for Individuals	Applicable	Applicable
9. the names of the relevant persons holding senior management position; and	Applicable	Applicable
10. the registered office and the principal place of its business, if it is different	Applicable	Applicable

**5. Trust/Society**

Documents	Legal Existence Proof	Address Proof
<b>Certified copies of each of the following documents or the equivalent E-Documents thereof shall be obtained</b>		
1. Registration Certificate	Applicable	Applicable
2. Trust Deed	Applicable	Applicable
3. PAN of the Company	Applicable	NA
4. A Resolution from the Board of Trustee/Society and power of attorney granted to its managers, officers or employees to transact on its behalf	Applicable	Applicable
5. Identity Documents i.e. OVD of the person holding the attorney to transact on its behalf	NA	NA
<b>Anyone of the below mentioned document is mandatory</b>		
6. Latest Landline Bill (not more than 2 months old)	NA	Applicable
7. Latest Electricity Bill (not more than 2 months old)	NA	Applicable
8. Latest Water Bill (not more than 2 months old)	NA	Applicable
<b>Other Documents</b>		
8. Documents pertaining to Beneficial Owner as stated for Individuals	Applicable	Applicable
9. the names of the relevant persons holding senior management position; and	Applicable	Applicable
10. the registered office and the principal place of its business, if it is different	Applicable	Applicable

## 6. HUF

Documents	Legal Existence Proof	Address Proof
<b>Certified copies if each if the following documents or the equivalent e-documents thereof shall be obtained</b>		
1. PAN of HUF, Karta & all Co-Parceners	Applicable	NA
2. List of coparceners	NA	NA
3. Photograph of Karta and all co-parceners	NA	NA
4. Current Address proof of Karta and all co-parceners	NA	NA
5.OVD of Karta and all Co-parceners	NA	Applicable
6. Deed of Declaration of HUF	Applicable	Applicable
7. Address proof of HUF – Same as individual KYC Policy	Applicable	Applicable
<b>Other Documents</b>		
8. Documents pertaining to Beneficial Owner as stated for Individuals	Applicable	Applicable
9. the names of the relevant persons holding senior management position; and	Applicable	Applicable
10. the registered office and the principal place of its business, if it is different	Applicable	Applicable

**Annex B**

Illustrative Examples of Risk Categorization of customers:

1. High Risk-Category A

- Partnership firms with sleeping partners
- Person with dubious reputation as per public information available
- High net-worth individuals (i.e., with net worth of INR more than INR 2 Crores) without an occupation track record of more than 3 years
- Dealers in high value or precious goods e.g., bullion dealers, gems, jewels
- Real Estate developers/agents
- Capital Market (Share Brokers, Investment Management Companies etc.)
- Politically Exposed Person (PEPs)

2. Medium Risk – Category B Customers

Medium Risk Customers typically include:

- Self-employed professionals other than High Net-Worth Individuals
- Self-employed customers with sound business and profitable track record for a reasonable period
- High Net worth Individuals with occupation track record of more than 3 years

3. Low Risk – Category C Customers

Low Risk individuals (other than high net worth) and entities whose identities and sources of wealth can be easily identified and all other person not covered under above two categories and as per the description of the company