

Know Your Customer (KYC) and Anti-Money Laundering (AML) Policies

PREAMBLE:

The Reserve Bank of India has been issuing guidelines in regard to the Know Your Customer (KYC) standards which need to be followed by banks and NBFCs and the measures are ought to be taken with regard to Anti Money Laundering (AML)/ Combating the Financing of Terrorism (CFT). NBFCs are required to put in place a comprehensive policy framework, duly approved by the Board of Directors or competent authority authorized by the Board of Directors, in this regard. This policy document has been prepared in line with the RBI guidelines (Ref: RBI/2015-16/108 DNBR (PD) CC No. 051/03.10.119/2015-16 dated July 01st, 2015).

OBJECTIVES, SCOPE AND APPLICATION OF THE POLICY:

- ⌘ The primary objective is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities.
- ⌘ To lay down explicit criteria for acceptance of customers.
- ⌘ To establish procedures to verify the bona-fide identification of individuals/non individuals for opening of accounts.
- ⌘ To establish processes and procedures to monitor high value transactions and/or transactions of a suspicious nature in accounts.
- ⌘ To develop measures for conducting due diligence in respect of customers and reporting of such transactions.

Definition of Customer For the purpose of Raj Radhe Finance Limited (RRFL): a 'Customer' means a person defined under the KYC policy of the RBI and any amendment from time to time by the RBI which are at present as follows:

- A person or entity that maintains an account and/or has a business relationship with the Company;
- One on whose behalf the account is maintained (i.e. the beneficial owner)
- Any other person or entity connected with a financial transaction which can pose significant reputation or other risks to the Company, for example, a wire transfer or issue of high value demand draft as a single transaction.

CUSTOMER ACCEPTANCE POLICY (CAP)

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

- ⌘ No account may be opened in an anonymous or fictitious/ benami name(s).
- ⌘ The Company shall classify customers into various risk categories and based on risk perception decide on the acceptance criteria for each customer category.
- ⌘ Accept customers only after verifying their identity as laid down in the customer identification procedures.
- ⌘ While carrying out due diligence the Company will ensure that the procedures adopted will not result in the denial of services to genuine customers.
- ⌘ For the purpose of risk categorisation of customers, the Company shall obtain the relevant information from the customer at the time of account opening.

CUSTOMER IDENTIFICATION PROCEDURES ("CIP")

Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. RRFL shall obtain sufficient information necessary to verify the identity of each new customer along with brief details of its promoters and management, whether regular or occasional and the purpose of the intended nature of the business relationship.

The requirement as mentioned herein may be moderated according to the risk perception; for example, in the case of a public listed company it will not be necessary to identify all the shareholders.

KYC DOCUMENT REQUIREMENTS:

Proof of Identity and Proof of Address in case of Individuals:

Proof of Identity (One Self Attested copy of) any one of the following:

- ⌘ Passport
- ⌘ Pan Card
- ⌘ Voter's ID
- ⌘ Driving License
- ⌘ ID card issued by any central/state govt.
- ⌘ Letter issued by Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number.

Proof of Address (One Self Attested copy of) any one of the following:

- ⌘ Passport
- ⌘ Telephone bill
- ⌘ Electricity bill
- ⌘ Bank Account statement (not later than one month)
- ⌘ Letter issued by Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number.
- ⌘ Proof of Identity and Principal place of Business in case of non-Individuals

Proof in case of a Company

A certified true copy of all the below documents, duly signed and stamped by a Company Secretary or a Director of the applicant company:

- ⌘ Certificate of Incorporation and Certificate of Commencement of Business (if applicable)
 - ⌘ Memorandum and Articles of Association
 - ⌘ PAN card
 - ⌘ List of Directors
 - ⌘ Latest shareholding structure
 - ⌘ Resolution of the Board of Directors to borrow the loan amount u/s 179 of the Companies Act, 2013.
- If any of the above documents are in any language other than English, it must be translated into English along with a certificate from a translator / notary public.

Proof in case of a Partnership Firm (including a Limited Liability Partnership Firm)

- ⌘ Registration certificate, if registered
- ⌘ Certificate of Incorporation
- ⌘ Copy of PAN card. of firm & partners/ Designated Partners
- ⌘ Partnership deed
- ⌘ Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf
- ⌘ Resolution of Designated Partners authorising any one or more Designated Partners or an employee of the firm to transact business on its behalf of the firm
- ⌘ Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses.
- ⌘ List of partners/ Designated Partners along with addresses.
- ⌘ PAN Card of Designated partners.

Proof in case of Trust & Foundations

- ⌘ Certificate of registration, if registered.
- ⌘ Copy of PAN Card of Trust.
- ⌘ Trust Deed
- ⌘ Power of Attorney granted to transact business on its behalf
- ⌘ Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/ managers/ directors and their addresses.
- ⌘ PAN Card of trustee.
- ⌘ List of trustees
- ⌘ Other mandatory documents are mentioned in Annexure 1.

Important:

RRFL will follow clear NBFC guidelines on the Customer Identification Procedures to be carried out at different stages, i.e. while establishing a relationship; carrying out a financial transaction or when RRFL has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. RRFL will obtain sufficient information 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 RRFL must be able to satisfy the competent authorities 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 (individual, corporate etc).

For customers that are natural persons, RRFL will obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph. For customers that are legal persons or entities, RRFL will:

- ⌘ verify the legal status of the legal person/ entity through proper and relevant documents;
- ⌘ verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person; and
- ⌘ understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person.

Where RRFL is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, RRFL may consider closing the account or terminating the business relationship after issuing due notice to the customer explaining the reasons for taking such a decision.

MONITORING AND REPORTING OF TRANSACTIONS:

Monitoring of transactions will be conducted taking into consideration the risk profile of the account. RRFL shall make endeavours to understand the normal and reasonable activity of the customer so that the transactions that fall outside the regular/pattern of activity can be identified, Special attention will be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose.

Background of the customer, country of origin, sources of funds, the type of transactions involved and other risk factors shall determine the extent of monitoring. Higher risk accounts shall be subjected to intensify monitoring. RRFL shall carry out the periodic review of risk categorization of transactions/customers and the need for applying enhanced due diligence measures at a periodicity of not less than once in six months.

RRFL shall explore the possibility of validating the new accounts opening application with various watch lists available in the public domain, including the RBI watch list. After due diligence, any transactions of a suspicious nature will be duly reported by a principal officer to Director, Financial Intelligence Unit- India (FIU-IND).

To ensure monitoring and reporting of all transactions and sharing of information as required under the law for KYC, the Board may nominate any Director or authorized any other officer(s) to be designated as RRFL's Principal Officer with respect to KYC/ AML/ CFT.

RISK MANAGEMENT

The Board of Directors of the Company ensures that an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation. It will cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility would be explicitly allocated within the Company for ensuring that the Company's policies and procedures are implemented effectively.

The Company may, in consultation with its board, 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 transaction, account or business relationship. The Company's internal audit and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures.

As a general rule, the compliance function provides an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements. Concurrent/ internal auditors should specifically

check and verify the application of KYC procedures and comment on the lapses observed in this regard. The compliance in this regard may be put up before the Board on quarterly intervals.

The Company has an ongoing employee training programme so that the members of the staff are adequately trained in KYC procedures. Training requirements will have different focuses for frontline staff, compliance staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

CUSTOMER EDUCATION:

Implementation of KYC procedures requires the Company to demand certain information from customers which may be of a personal nature or which has hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. The Company will prepare specific literature/ pamphlets etc. so as to educate the customer on the objectives of the KYC programme. The front desk staff needs to be specially trained to handle such situations while dealing with customers.

INTRODUCTION OF NEW TECHNOLOGIES

The Company will pay special attention to any money laundering threats that may arise from new or developing technologies including internet transactions that might favour anonymity, and take measures, if needed, to prevent their use in money laundering schemes.

EMPLOYEES TRAINING/HIRING OF EMPLOYEES:

RRFL shall have an ongoing employee training programme so that the team members are adequately trained in KYC/ AML/ CFT procedures. Training requirements shall have different focuses for frontline staff, compliance staff and officer/staff dealing with the new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them.

APPOINTMENT OF PRINCIPAL OFFICER

To ensure the monitoring and reporting of all transactions and sharing of information as required under Rule 7 of the Prevention of Money Laundering (Maintenance of Records etc.) 2005.

- ⌘ Principal Officer for KYC will act independently and report directly to the concerned Director/MD/CMD or to the Board of Directors.
- ⌘ Principal Officer shall be located at the registered office of RRFL.
- ⌘ Principal Officer shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law.
- ⌘ He/ She will maintain close liaison with enforcement agencies, RRFL and any other institution which are involved in the fight against money laundering and combating financing of terrorism.
- ⌘ Further, the role and responsibilities of the Principal Officer shall include overseeing and ensuring overall compliance with regulatory guidelines on KYC/AML/CFT issued from time to time and obligations under the Prevention of Money Laundering Act, 2002, rules and regulations made there under, as amended from time to time.
- ⌘ The Principal Officer will also be responsible for timely submission of CTR, STR to FIU-IND.
- ⌘ With a view to enabling the Principal Officer to discharge his responsibilities effectively, the Principal Officer and other appropriate staff shall have timely access to customer identification data and other CDD information, transaction records and other relevant information.

MAINTENANCE OF RECORDS OF TRANSACTIONS

RRFL has a system of maintaining proper record of transactions prescribed under Rule 3, of the Prevention of Money-Laundering and value of transactions, the procedure and manner of maintaining and verification and maintenance of records of the identity of the clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, as mentioned below:

- ⌘ all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- ⌘ all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;

- ⌘ all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- ⌘ all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

INFORMATION TO BE PRESERVED

As per the NBFC guidelines, RRFL is required to maintain the following information in respect of transactions referred in Rule 3:

- ⌘ the nature of the transactions;
- ⌘ the amount of the transaction and the currency in which it was denominated
- ⌘ the date on which the transaction was conducted; and
- ⌘ the parties to the transaction.

MAINTENANCE AND PRESERVATION OF RECORDS

RRFL has 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. RRFL will maintain for at least eight years from the date of cessation of transaction between RRFL and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity. RRFL will also ensure that records pertaining to the identification of the customer and his / her address (e.g. copies of documents like passports, identity cards, driving licenses, PAN, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least ten years after the business relationship is ended. The identification records and transaction data will be made available to the competent authorities upon request.

UPDATING OF THE KYC POLICY OF THE COMPANY

The Board of RRFL will be authorized to amend/modify the KYC/ AML/ CFT Policy or such other related guidance notes of Company, to be in line with RBI or such other statutory authority's requirements/updates/ amendments from time to time.

REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA

In terms of PMLA Rules, RRFL shall be required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) in respect of transactions referred to in Rule 3 at the following address:

Director, FIU-IND
Financial Intelligence Unit-India
6th Floor, Hotel Samrat
Chanakypuri
New Delhi – 110 021
Website – <http://fiuindia.gov.in>

RRFL will ensure that the provisions of the PMLA Rules and the Foreign Contribution and Regulation Act, 1976, wherever applicable, are adhered to strictly.

RRFL shall strictly comply with all formalities including timely submission of all applicable reports and returns in the prescribed format with regards to cash and suspicious transaction qualifying under the PML Rules directly to FIU-IND through the designated Principal Officer(s) of the Company. However, as has been earlier advised, there is no need for submission of any NIL report in respect to the above. Further, RRFL and its employees shall maintain strict confidentiality of the fact of furnishing/reporting details of suspicious transactions.

MANDATORY DOCUMENTS REQUIRED FOR STARTING A RELATIONSHIP**Individuals**

- ⌘ Photo pan card.
- ⌘ Photograph.
- ⌘ Address proof as mentioned in KYC documents requirements.
- ⌘ Copy of last ITR filed with Income Tax.
- ⌘ Copy of sign LOI.
- ⌘ Promissory note, if applicable.
- ⌘ CIBIL report or any other report issued by Credit Information Company.
- ⌘ Statement of bankers/Statement from CA, giving particulars of facilities taken, contact details etc.
- ⌘ Three months bank statement of borrower.
- ⌘ CA's Net Worth certificate of the borrower & guarantors;
- ⌘ Deed of Guarantee (Corporate Guarantee, Personal Guarantee) (if applicable).
- ⌘ In case, Loan is taken for general corporate purpose, then confirmation in form of declaration from the borrower that loan amount is used only for general corporate purpose and not for other purposes.
- ⌘ Signature verification by banker of borrower/mortgagors/Guarantors/Pledger, if applicable.

Private and Public Limited Companies

- ⌘ Certificate of Incorporation.
- ⌘ Certificate of commencement of business in case company incorporated under the Provisions of the Companies Act, 2013.
- ⌘ Certified True copy (certified by Company Secretary or Director or authorised signatory) of the Memorandum and Articles of Association.
- ⌘ List of directors (certified by Company Secretary or Director or authorised signatory).
- ⌘ List of shareholders (certified by Company Secretary or Director or authorised signatory).
- ⌘ List of directors and shareholders certified by CA/CS/authorised signatory for mortgagors/Guarantors/Pledger, if applicable.
- ⌘ Latest audited financials of the company.
- ⌘ Certified copy of PAN card.
- ⌘ Evidence of listing in a stock exchange, if any.
- ⌘ Copy of sign LOI.
- ⌘ Promissory note, if applicable.
- ⌘ CIBIL report or any other report issued by Credit Information Company.
- ⌘ Statement of bankers/Statement from CA giving particulars of facilities taken, contact details etc.
- ⌘ Three months bank statement of borrower.
- ⌘ CA's network certificate of the borrower & guarantors;
- ⌘ Declaration from borrowing company
- ⌘ Deed of Guarantee (corporate guarantee, personal guarantee) (if applicable).
- ⌘ Board resolution of guarantor company; (if applicable), if third company provides the Corporate Guarantee.
- ⌘ Board Resolution in accordance with Sec 179(3) (for borrowing).
- ⌘ Shareholder's resolution u/s 180(1)(c), if the loan amount (including with existing loan borrowed by borrower) exceed aggregate of its paid up capital and free reserve, (Special Resolution).
- ⌘ In case, loan is taken for general corporate purpose, then confirmation in form of declaration from the Director on behalf of the Board that loan amount is used only for general corporate purpose and not for other purposes.
- ⌘ Memorandum and Articles of Association, Copy of Pan, Latest IT Returns, Latest annual report of mortgagors/Guarantors/Pledger, if applicable.
- ⌘ Signature verification by banker of borrower/mortgagors/Guarantors/Pledger, if applicable.

Partnership Firms:

- ⌘ Registration certificate, if registered.
- ⌘ Copy of PAN card of firm & partners.
- ⌘ Photographs of partners.
- ⌘ Certified copy of partnership deed.
- ⌘ Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf.
- ⌘ Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses.
- ⌘ List of partners along with Address.
- ⌘ Last 3 months' bank statement.
- ⌘ CA's Net Worth certificate of the borrower.
- ⌘ Photograph of partners.
- ⌘ Copy of sign LOI.
- ⌘ Promissory Note, if applicable.
- ⌘ CIBIL report or any other report issued by Credit Information Company.
- ⌘ Statement of bankers / Statement from CA giving particulars of facilities taken, contact details etc.
- ⌘ In case, Loan is taken for general corporate purpose, then confirmation in form of declaration from the Partner on behalf of the Firm that loan amount is used only for general corporate purpose and not for other purposes.
- ⌘ Signature verification by banker of borrower/mortgagors/Guarantors/Pledger, if applicable.

Trust & Foundations

- ⌘ Certificate of registration, if registered.
- ⌘ Copy of PAN Card of Trust.
- ⌘ Trust Deed.
- ⌘ Power of Attorney granted to transact business on its behalf.
- ⌘ Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/ managers/ directors and their addresses.
- ⌘ Resolution of the managing body of the foundation/association for borrowing loan.
- ⌘ List of Trustee, settlers, beneficiaries & signatories alongwith address
- ⌘ Last 3 month Bank Statement.
- ⌘ CA's network certificate of the borrower.
- ⌘ PAN Card of trustee
- ⌘ Brief profile of the Trust.
- ⌘ Copy of sign LOI.
- ⌘ Promissory Note, if applicable.
- ⌘ CIBIL report or any other report issued by Credit Information Company.
- ⌘ Statement of bankers / Statement from CA giving particulars of facilities taken, contact details etc.
- ⌘ In case, Loan is taken for general purpose, then confirmation in form of declaration from the Trustee on behalf of the Trust & Foundations that loan amount is used only for general purpose and not for other purposes.
- ⌘ Signature verification by banker of borrower/mortgagors/Guarantors/Pledger, if applicable.
- ⌘ Additional Documents REQUIRED for the BORROWING Secured loans: If Property is Mortgaged:
 - ⌘ Title Documents – Original.
 - ⌘ Memorandum of Entry (if applicable).
 - ⌘ Mortgage & Undertaking (if applicable).
- ⌘ In case of private or public company, copy of Form -CHG 1 (for other than Debentures) or Form No.CHG-9 (for debentures) along with challan to be filed with ROC.
- ⌘ In case of private or public company, copy of charge certificate issued by the Registrar of Companies.
- ⌘ Latest No Encumbrance Certificate.
- ⌘ If Shares are Pledged:
 - ⌘ Agreement of Pledge of shares.
 - ⌘ Pledger Letter.
- ⌘ Irrevocable Power of Attorney.
- ⌘ In case of private or public company, copy of Form -CHG 1 along with challan to be filed with ROC. (CHG-1 form in accordance with provisions of Companies Act, 2013 as moveable properties is included in the definition).