**Policy on Know Your Customer and Anti-money Laundering measures**

1. **Introduction:**

Reserve Bank of India has issued comprehensive guidelines on Know Your Customer (KYC) norms and Anti-money Laundering (AML) standards and has advised all regulated entities including NBFCs to ensure that a proper policy framework on KYC and AML measures be formulated and put in place with the approval of the Board.

Accordingly, in compliance with the guidelines issued by RBI from time to time, the following KYC & AML policy of the Company is approved by the Board of Directors of the Company.

This policy is applicable to all categories of products and services offered by the Company across all its branches in India.

1. **Objective:**

Objective of RBI guidelines is to prevent the regulated entities from being used, by criminal elements as a channel for Money Laundering (ML)/ Terrorist Financing (TF) and to ensure the integrity and stability of the financial system, efforts are continuously being made both internationally and nationally, by way of prescribing various rules and regulations. The guidelines also mandate making reasonable efforts to determine the true identity and beneficial ownership of accounts, source of funds, the nature of customer’s business, reasonableness of operations in the account in relation to the customer’s business, etc. which in turn helps the Company to manage its risks prudently. Accordingly, the main objective of this policy is to enable the Company to have positive identification of its customers.

This policy seeks to provide guidance to the businesses to ensure compliance with PML Act/Rules, including regulatory instructions in this regard and provide a bulwark against threats arising from money laundering, terrorist financing, proliferation financing and other related risks. The Company shall adopt best international practices taking into account the FATF standards and FATF guidance notes, for managing risks better.

1. **Customer Acceptance Policy:**

The Company shall follow the following norms while accepting and dealing with its customers:

* No account is opened in any anonymous or fictitious / benami name.
* Carry out full scale customer due diligence (CDD) before opening an account. When the true identity of the applicant is not known or the Company is unable to apply appropriate CDD measures, no transaction or account-based relationship will be undertaken with such person / entity.
* A Unique Customer Identification Code (UCIC) shall be allotted by the Company while entering into new relationships with individual customers. The Company shall apply CDD measures at the UCIC level.
* Parameters of risk perception are clearly defined in terms of customer identity, nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status, geographical risk covering customers as well as transactions, type of products/services offered, delivery channel used for delivery of products/services, types of transaction undertaken – cash, cheque/monetary instruments, wire transfers, forex transactions etc. to enable categorization of customers into low, medium and high risk. The illustrative list of such risk categorisation is provided in annexure – I.
* The customer profile contains mandatory information to be sought for KYC purpose relating to customer’s identity, address, 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 risks 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 and is not intrusive. The customer profile will be a confidential document and details contained therein will not be divulged for cross selling or any other purpose. The Company shall maintain secrecy regarding customer information except where the disclosure is under compulsion of law, there is a duty to the public to disclose, the disclosure is made with express or implied consent of the customer.
* The Company shall ensure that the identity of the customer does not match with any person or entity whose name appears in the sanction lists / designated lists circulated by RBI from time to time.
* 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.
* When the true identity of the account holder is not known or 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 the Company shall file Suspicious Transaction Reporting (STR) as provided below in clause 9 and shall not pursue CDD process.

1. **Customer Identification Procedure:**

The Company shall undertake identification of customers before commencement of an account-based relationship. 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/ anonymous/ benami 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.

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 there under (PMLA), which contains provisions requiring the business processes to:

* verify the identity of any Person transacting with the Company to the extent reasonable and practicable;
* maintain records of the information used to verify a customer’s identity, including name,
* address and other identifying information and
* verify the United Nations Security Council (UNSC) sanctions lists under Unlawful Activities

(Prevention) (UAPA) Act, 1967 / designated list under Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 / UNSCR 1718 Sanctions List of Designated Individuals and Entities / FATF statements of known or suspected terrorists or terrorist organizations / jurisdictions and countries that do not or insufficiently apply the FATF recommendations as provided to the Company by RBI or any other applicable government agency to determine whether a person opening an account or an existing customer appears on any such list. The Company shall verify the above sanction lists on a daily basis and any modifications to the lists in terms of additions, deletions or other changes shall be taken into account by the Company.

* apply enhanced due diligence, 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.

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.

The Company will carry out ‘Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment’ exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, geographic areas, products, services, transactions or delivery channels, etc. The internal risk assessment carried out by the Company should commensurate to its size, geographical presence, complexity of activities/structure, etc. and shall apply a Risk Based Approach and implement a CDD programme, having regard to the ML/TF risks identified for mitigation and management of the identified risks. Respective businesses shall have standard operating procedures for identification, mitigation, controls and procedures for management of the identified risk, if any. The risk assessment processes shall be reviewed periodically to ensure its robustness and effectiveness.

**5) Required KYC Due Diligence for all customers:**

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.

**6) Identification:**

All the customers shall be identified by a unique identification code to identify customers, track the facilities availed, monitor financial transactions in a holistic manner and to have a better approach to risk profiling of customers.

The customer identification requirement is detailed in annexure II to this policy. Each business process shall implement procedures to obtain from each Customer, prior to transacting, the following information as may be relevant, to that business:

1. Name - procedures require business processes to use reasonable efforts to ensure that the name recorded on the Company systems as the customer will be exactly the same as (and not merely similar to, or a variation of) the name that appears on any identifying documentation reviewed in connection with the loan;
2. For individuals - age / date of birth; For a person other than individual (such as corporation, partnership or trust) - date of incorporation;
3. Address including the documentary proof thereof;
4. For an individual, a residential or business street address;
5. For a Person other than an individual (such as a corporation, partnership, or trust), the principal place of business, local office, or other physical location;
6. Telephone/Fax number/E-mail ID;
7. Identification number:
8. A taxpayer identification number; passport number and country of issuance; proof of possession of Aadhaar number; alien identification card number; or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard or the unique number or code assigned by the Central KYC Records Registry. When opening an account for a person (other than an individual) that does not have an identification number, the business process must request alternative government-issued documentation certifying the existence of the business or enterprise;
9. Where a customer submits proof of possession of Aadhaar number, the Company shall ensure that such customer redacts or blackout his Aadhaar number before submitting the same to the Company.
10. For a customer who has applied for, but has not received an identification number, loan may be sanctioned, but each business process shall implement procedures to confirm that the application was filed before the loan is sanctioned to customer and to obtain the identification number within a reasonable period of time before disbursal of loan.
11. One recent photograph of the individual customer. Fresh photographs will be obtained from minor customer on becoming major.