A. K. CAPITAL FINANCE LIMITED

BUILDING BONDS

Know Your Customer (KYC) Policy and Anti Money Laundering Policy

Adopted/ Amendment of the Policy	Board Meeting Date(s)
Adoption of the Policy	August 20, 2007
Amendment of the policy	February 26, 2010
Amendment of the Policy	October 13, 2010
Amendment of the policy	March 16, 2012
Amendment of the Policy	January 19, 2015
Amendment of the Policy	May 05, 2015
Amendment of the Policy	March 14, 2017
Amendment of the Policy	April 01, 2021
Amendment of the Policy	May 11, 2024
Amendment of the Policy	October 30, 2024
Amendment of the Policy	February 03, 2025
Amendment of the Policy	August 02, 2025
Amendment of the Policy	November 03, 2025

Last reviewed on November 03, 2025

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1. Introduction:

A. K. Capital Finance Limited ("Company") endeavors to frame a proper policy on Know Your Customer (KYC) and Anti- Money Laundering. The Company is committed for transparency and fairness in dealing with all stakeholders and in ensuring adherence to all laws and regulations. The Company ensures that the information collected from the customer for any purpose would be kept as confidential and not divulge any details thereof for cross selling or any other purposes. The Company commits that information sought from the customer is relevant to the perceived risk, is not intrusive, and is in conformity with the guidelines issued in this regard. Any other information from the customer will be sought separately with his/ her consent and after effective rendering of services.

The Company has policy to treat all the clients consistently and fairly. The Board of Directors/ Board authorized committee and the Principle Officer is responsible for implementing the KYC Policy and Anti Money Laundering Policy **("Policy")**.

The Reserve Bank of India (RBI) has issued guidelines on 'Know Your Customer' (KYC) – Anti Money Laundering Standards for the Non-Banking Finance Companies (NBFCs) thereby setting standards for Prevention of Money Laundering activities and corporate practices while dealing with their customers.

The Company shall adopt Master Direction - Know Your Customer (KYC) Direction, 2016 issued by RBI on February 25, 2016 and all other guidelines/ circulars/ direction as prescribed by RBI from time to time and shall make appropriate modifications, if any, necessary to this Policy to conform to the standards so prescribed and also to comply with the rules and regulations in spirit.

This Policy is applicable across all branches/ business segments of the Company, and is to be read in conjunction with related operational guidelines issued from time to time. The contents of the Policy shall always be read in tandem/ auto-corrected with the changes/ modifications, which may be advised by RBI from time to time.

Any term(s) and, or expression(s) not defined in this Policy shall have the same meaning as defined in the applicable provisions of the Master Direction - Know Your Customer (KYC) Direction, 2016, Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and other applicable laws and/ or regulation.

Wherever appropriate in this Policy, a singular term shall be construed to mean the plural where necessary and a plural term the singular. Similarly, any masculine term shall also be construed to mean the feminine or any other gender and vice versa.

2. Definition of "offence of Money Laundering":

Section 3 of the Prevention of Money Laundering Act, 2002 (**"PMLA, 2002"**) has defined the "offence of money laundering" as under:

Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime including its

concealment, possession, acquisition or use and projecting or claiming it as untainted property shall be guilty of offence of money-laundering. Explanation for the removal of doubts, it is hereby clarified that:

(i) a person shall be guilty of offence of money-laundering if such person is found to have directly or indirectly attempted to indulge or knowingly assisted or knowingly is a party or is actually involved in one or more of the following processes or activities connected with proceeds of crime, namely:—
   (a) concealment; or
   (b) possession; or
   (c) acquisition; or
   (d) use; or
   (e) projecting as untainted property; or
   (f) claiming as untainted property, in any manner whatsoever.

(ii) the process or activity connected with proceeds of crime is a continuing activity and continues till such time a person is directly or indirectly enjoying the proceeds of crime by its concealment or possession or acquisition or use or projecting it as untainted property or claiming it as untainted property in any manner whatsoever.

Money launders use the intermediaries for cleansing 'dirty money' obtained from criminal activities with the objective of hiding/ disguising its source. The process of money laundering involves creating a web of financial transactions so as to hide the origin and true nature of these funds.

For the purpose of this document, the term money laundering would also cover financial transactions where the end use of funds goes for terrorist financing irrespective of the source of the funds.

The provisions of the PMLA, 2002 defines the offences or laundering. In terms, of this section whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of an offence of money laundering.

3. Definition of "Officially valid document":

"Officially valid document" (OVD) means the passport, the driving licence, proof of possession of Aadhaar number, the Permanent Account Number (PAN) Card, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government, letter issued by the National Population Register containing details of name and address.

Explanation: Customers, at their option, shall submit one of the seven OVDs for proof of identity and proof of address.

Provided that where 'simplified measures' are applied for verifying the identity of the customers the following documents shall be deemed to be OVD:

i. identity card with applicant's photograph issued by Central/ State Government Departments, Statutory/ Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions;
ii. Letter issued by a Gazetted officer, with a duly attested photograph of the person.

Provided further that where 'simplified measures' are applied for verifying, for the limited purpose of, proof of address the following additional documents are deemed to be OVDs:

i. Utility bill, which is not more than two months old, of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
ii. Property or Municipal Tax receipt;
iii. Pension or family Pension Payment Orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
iv. Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation; and
v. Documents issued by Government departments of foreign jurisdictions or letter issued by Foreign Embassy or Mission in India.

The customer shall submit OVD with current address within a period of three months of submitting the documents specified above.

4. Obligations of the Company under Prevention of Money Laundering Act, 2002

Section 12 of PMLA, 2002, places certain obligations on every banking company, financial institution and intermediary which include:-

a) Maintaining a record of transactions
b) Furnishing information of prescribed transactions to the specified authority.
c) Verifying and maintaining records of the identity of its clients
d) Preserving records in respect of (a), (b), (c) above for a period of 5 years from the date of cessation of transactions with the clients

5. Objective – KYC Policy:

The objective of the Policy is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities. KYC procedures will also enable the Company to know/ understand their customers and their financial dealings better which in turn help them manage their risks prudently. The Policy is framed incorporating the following four key elements:

1) To prevent criminal elements from using the Company's System for money laundering activities.
2) To enable the Company to know/ understand the customers and their financial dealings better, which in turn would help the Company to manage risks prudently.
3) To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/ laid down procedures.

4) To comply with applicable laws and regulatory guidelines.
5) To take necessary steps to ensure that the concerned staff is adequately trained in Know Your Customer/ Anti Money Laundering procedures.
6) The Policy is framed incorporating the following four key elements:
   a. Customer Acceptance Policy;
   b. Risk Management;
   c. Customer Identification Procedures; and
   d. Monitoring of Transactions

For the purpose of this Policy, a 'Customer' may be defined as:

a) A person or entity that maintains an account and/or has a business relationship with the Company and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting;
b) One on whose behalf the account is maintained (i.e. the beneficial owner);
c) Beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors, etc. as permitted under the law and
d) Any person or entity connected with a financial transaction which can pose significant reputational or other risks to the Company.

6. Key Elements of KYC Policy:

A. Customer Acceptance Policy (CAP):

a. No account is opened in anonymous or fictitious/ benami name(s);

b. Parameters of risk perception are clearly defined in terms of the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status etc. to enable categorization of customers into low, medium and high risk.

c. Documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of PMLA, 2002 and guidelines issued by Reserve Bank of India from time to time;

d. Not to open an account or close an existing account where the Company is unable to apply appropriate customer due diligence measures i.e., the Company is unable to verify the identity and/ or obtain documents required as per the risk categorization due to non-cooperation of the customer or non-reliability of the data/ information furnished to the Company. It may, however, be necessary to have suitably built in safeguards to avoid harassment to the customers. For example, decision to close an account may be taken at a reasonably high level after giving due notice to the customer explaining the reasons for such a decision;

e. Circumstances, in which a customer is permitted to act on behalf of another person/ entity, should be clearly spelt out in conformity with the established law and practice of the Company as there could be occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in the fiduciary capacity.

f. Necessary checks before opening a new account so as to ensure that the identity of the

customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc.

g. The Company may prepare a profile for each new customer based on risk categorization. The customer profile may contain information relating to customer's identity, social/ financial status, nature of business activity, information about clients' business and their location etc. The nature and extent of due diligence will depend on the risk perceived by the Company. However, while preparing customer profile, the Company shall take care to 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 shall not be divulged for cross selling or any other purposes.

h. For the purpose of risk categorization, individuals (other than High Net Worth) and entities whose identity and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, may be categorized as low risk.

Illustrative examples of low risk customers are as follows:

a) whose sources of funds are well defined ,
b) Government departments & Government owned companies,
c) Regulators and statutory bodies etc.
d) Entities regulated by regulatory bodies including RBI, SEBI etc.
e) Entities not engaged in the high risk sector.
f) Entities with good credit score and payment track record

In such cases, the Policy may require that only the basic requirements of verifying the identity and location of the customer are to be met.

Customers that are likely to pose a higher than average risk to the Company may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc. The Company may apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear. Examples of customers requiring enhanced due diligence may include:

a) non-resident customers,
b) sources of funds are not identifiable and suspicious transactions identified
c) high net worth individuals,
d) trusts, charities, NGOs and organizations receiving donations,
e) Entities having complicated ownership and management structure,
f) firms with 'sleeping partners',
g) politically exposed persons (PEPs),
h) Companies offering foreign exchange offerings
i) Clients in high risk countries
j) non face to face customers,
k) high credit risk
l) Entities subject to significant supervisory actions/ material litigation and the decision is pending, and
m) those with dubious reputation as per public information available, etc.

i. It is important to bear in mind that the adoption of customer acceptance policy and its implementation shall not become too restrictive and must not result in denial of the Company services to general public, especially to those, who are financially or socially disadvantaged including the Persons with Disabilities (PwDs). No application or onboarding or periodic updation of KYC shall be rejected without application of mind. Reasons of rejection shall be duly recorded by the officer concerned of the Company.

j. Flexible approach in implementation shall be followed.

Customer Identification Procedure (CIP):

The Company shall undertake identification of customers in the following cases:

a) Commencement of an account-based relationship with the customer.
b) Carrying out any international money transfer operations for a person, who is not an account holder of the bank.
c) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
d) Selling third party products as agents, selling their own products, payment of dues of credit cards/ sale and reloading of prepaid/ travel cards and any other product for more than rupees fifty thousand.
e) Carrying out transactions for a non-account based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
f) When the Company has reason to believe that a customer (account- based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.

The Customer Identification Procedure has to be carried out at different stages:

1. While establishing a relationship with the client;
2. While carrying out a financial transaction;
3. When the Company has a doubt about the authenticity/ veracity or the adequacy of the previously obtained customer identification data.

B. Customer Identification:

Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. The Company needs to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of the Company relationship. Being satisfied means that the Company 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. Such risk based approach is considered necessary to avoid disproportionate cost to the Company and a burdensome regime for the customers. Besides risk perception, the nature of information/ documents required would also depend on the type of customer (individual, corporate etc). An indicative list of the nature and type of documents/ information that may be relied upon for customer identification is given in "**Annexure I"**. Customer identification requirements keeping in view the provisions applicable of Prevention of Money

Laundering & its Rules and as per guidance note issued in this respect are indicated in **"Annexure II"**.

For customers that are legal persons or entities, the Company shall:

(i) verify the legal status of the legal person/ entity through proper and relevant documents
(ii) 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,
(iii) Understand the ownership and control structure of the customer and determine who are the natural persons ultimately controlling the legal person.

C. Unique Customer Identification Code (UCIC):

(a) A UCIC shall be allotted while entering into new relationships with the customers, and also to the existing customers of the Company
(b) The Company shall, at their option, not issue UCIC to all the customers such as buyers of pre-paid instruments/ purchasers of third party products provided it is ensured that there is adequate mechanism to identify the customers who have frequent transactions with them and ensure that they are allotted UCIC.

D. Important conditions:

1. The Company would need to continue to carry out on-going due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and, wherever necessary, the source of funds.
2. Full KYC exercise will be required to be done at least once in every two years for high risk individuals and entities.
3. Full KYC exercise will be required to be done at least once in every ten years for low risk and at least once in every eight years for medium risk individuals and entities taking in to account whether and when client due diligence measures have previously been undertaken and the adequacy of data obtained. Physical presence of the clients may, however, not be insisted upon at the time of such periodic updation.
4. Fresh photographs will be required to be obtained from minor customer on becoming major. At that time it shall be ensured that CDD documents as per the current CDD standards are made available.
5. Further the Company (i) need not seek fresh proofs of identity and address at the time of periodic updation, from those customers who are categorised as 'low risk', in case of no change in status with respect to their identities and addresses. In case of no change in the KYC information, a self- declaration from the customer in this regard shall be obtained through email id registered with the Company. In case of change of address of such 'low risk' customers, they could merely forward a certified copy of the document (proof of address) by mail/post, etc.
6. If an existing KYC compliant customer of NBFC desires to open another account in the same NBFC, there should be no need for submission of fresh proof of identity and/or proof of address for the purpose.
7. Decision-making functions of determining compliance with KYC norms shall not be outsourced.

8. Introduction shall not be sought while opening accounts.
9. The customers shall not be required to furnish an additional OVD, if the OVD submitted by the customer for KYC contains both proof of identity and proof of address.
10. A customer shall not be required to furnish separate proof of current address or positive confirmation, if it is different from the address recorded in the Aadhaar. In such cases, the Company shall merely obtain a declaration from the customer indicating the address to which all correspondence will be made by the Company. To ensure that the mobile number for Aadhaar authentication is same as the one available in Company's records in the customer's profile, in order to prevent any fraud.
11. The local address for correspondence, for which their proof of address is not available, shall be verified through 'positive confirmation' such as acknowledgment of receipt of letter, cheque books, ATM cards, telephonic conversation, visits to the place, or the like.
12. In case it is observed that the address mentioned as per 'proof of address' has undergone a change, the Company shall ensure that fresh proof of address is obtained within a period of six months.

E. Monitoring of Transactions:

1. Ongoing monitoring is an essential element of effective KYC procedures. However, the extent of monitoring will depend on the risk sensitivity of the account.
2. The Company shall pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.
3. The Company may prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions which exceed these limits.
4. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer shall particularly attract the attention of the Company.
5. High-risk accounts have to be subjected to intensified monitoring. The Company shall set key indicators for such accounts, taking note of the background of the customer, such as the country of origin, sources of funds, the type of transactions involved and other risk factors.
6. The Company shall put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures.
7. The Company shall ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002.
8. It may also be ensured that transactions of suspicious nature and/ or any other type of transaction notified under Section 12 of the PML Act, 2002, is reported to the appropriate law enforcement authority.
9. The Company shall ensure that its branches continue to maintain proper record of all cash transactions of Rs.10 lakh and above.
10. The internal monitoring system should have an inbuilt procedure for reporting of such transactions and those of suspicious nature to controlling/ head office on a fortnightly basis.

F. Customer Due Diligence (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 REs shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.
(c) Operational Guidelines for uploading the KYC data have been released by CERSAI.
(d) The 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 'Legal Entities' (LEs/Borrowers), as the case may be. The templates may be revised from time to time, as may be required and released by CERSAI.
(e) The Company shall upload KYC records pertaining to accounts of LEs opened on or after April 1, 2021, with CKYCR in terms of the provisions of the Rules ibid. The KYC records have to be uploaded as per the LE Template released by CERSAI.
(f) Once KYC Identifier is generated by CKYCR, the Company shall ensure that the same is communicated to the Borrowers.
(g) In order to ensure that all KYC records are incrementally uploaded on to CKYCR, the Company shall upload/ update the KYC data pertaining to accounts of borrowers opened prior to the above mentioned dates as per (e) and (f) respectively at the time of periodic updation.

G. Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) Under FATCA and CRS:

The 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 to the extent of applicability of Regulations to the NBFCs.

7. <u>Periodic updation procedure:</u>

i. **No change in KYC information:**

In case of no change in the KYC information of the LE customer, a self-declaration in this regard shall be obtained from the LE customer through its email id registered with the Company or any other digital channels or letter from an official authorized by the LE in this regard, board resolution etc. Further, the Company shall ensure during this process that Beneficial Ownership (BO) information available with them is accurate and shall update the same.

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

(a) The Company shall ensure that during periodic updation, the customers are migrated to the current CDD standard.

(b) Where a customer, for the purposes of establishing an account based relationship, submits a KYC Identifier to the Company, with an explicit consent to download records from CKYCR, then the Company shall retrieve the KYC records online from the CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless – (i)

there is a change in the information of the customer as existing in the records of CKYCR; (ii) the current address of the customer is required to be verified; (iii) the RE considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.

(c) The Company may carry out Re-kyc of all its customers/ clients categorized as low risks once in two years as it may deem fit.

8. Risk Management:

a) The Board of Directors in consultation with Principle Officer of the Company shall ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation.
b) It shall cover proper management oversight, systems and controls, segregation of duties, training and other related matters.
c) Responsibility shall be explicitly allocated within the Company for ensuring that the Company's policies and procedures are implemented effectively.
d) The Company may, in consultation with their Board/ Board authorized committee, devise procedures for creating Risk Profiles of their existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or the company/ business relationship.
e) The Company's compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures.
f) The Company must have an ongoing employee training programme so that the members of the staff are adequately trained in KYC procedures. Training requirements should 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.

9. Compliance of KYC policy:

The Company will ensure compliance with KYC Policy through:

a) Senior management
b) The above defined officials have the responsibility for effective implementation of policies and procedures.
c) Independent evaluation of the compliance functions of the Company's policies and procedures, including legal and regulatory requirements will be conducted by an independent audit.
d) Concurrent/internal audit system will verify the compliance with KYC/ Anti- Money Laundering (AML) policies and procedures.
e) The Company will submit quarterly audit notes to the Audit Committee.

10. Freezing of Assets under Section 51A of Unlawful Activities (Prevention) Act, 1967

The procedure laid down in the UAPA Order dated February 2, 2021 (Annex II of the Master Direction-KYC Direction, 2016 captioned Procedure for implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967) will be strictly followed and meticulous compliance with

the Order issued by the Government will be ensured. The list of Nodal Officers for UAPA is available on the website of Ministry of Home Affairs.

Further, following to be referred in the Master Direction - Know Your Customer (KYC) Direction, 2016 (Updated from time to time)

a) Procedure for implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967 (Annex II of the Master Direction - KYC Direction, 2016).

b) Procedure for implementation of Section 12A of "The Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005". (Annex III of the Master Direction - KYC Direction, 2016)

11. KYC for the Existing Accounts

a) The Company should apply the provisions of this policy to the existing customers on the basis of materiality and risk.
b) The Company may consider applying monetary limits to such accounts based on the nature and type of the account. It may, however, be ensured that all the existing accounts of companies, firms, trusts, charities, religious organizations and other institutions are subjected to minimum KYC standards which would establish the identity of the natural/ legal person and those of the 'beneficial owners'.
c) Where the Company is unable to apply appropriate KYC measures due to non-furnishing of information and/ or non-cooperation by the customer, the Company 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. Such decisions need to be taken at a reasonably senior level.

12. Customer Education/Employee's Training/ Employee Hiring:

a. Adequate screening mechanism including Know Your Employee / Staff policy as an integral part of Company's personnel recruitment/hiring process has been put in place.
b. The Company would prepare specific education material so as to educate the customers on the objectives of the KYC program.
c. Train the frontline employees of the Company to handle KYC/AML/CFT related matters
d. Put in place an ongoing employee training module so that the staffs are adequately trained on KYC/AML/CFT aspects.

13. Digital KYC Process:

The Company majorly involved into the business of wholesale lending i.e. lending largely into NBFCs and Non-Individual entities wherein there is no Mobile/ System based Applications or any other digital mode of lending.

However, the Company receives the KYC related documents, information pertaining to the financials of the Company, corporate data, authorized signatory details, Directors, Shareholders, ultimate beneficiaries etc. through email or any other authorized mode of communication.

Such information saved into the records of the Company in accordance with the requirements.

14. Record Management:

The Company has in place the policy for preservation of documents, wherein the clause regarding preservation of KYC documents are prescribed in compliance with the applicable provisions of the relevant Rules, Regulations, Laws and Acts of the applicable Regulators.

15. Principal Officer:

The Company may appoint a senior management officer to be designated as Principal Officer. Principal Officer shall be located at the head/ corporate office of the Company and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He will maintain close liaison with enforcement agencies, the Company and any other institution which are involved in the fight against money laundering and combating financing of terrorism.

16. Suspicious Transactions Reporting:

All suspicious transactions shall be reported, without any delay, to the Principle Officer and/or Managing Director of the Company. The Principal Officer shall report information relating to cash and suspicious transactions, if detected, to the Director, Financial Intelligence Unit India (FIUIND) as advised in terms of the PMLA rules, in the prescribed formats as designed and circulated by RBI.

A. What is a Suspicious Transaction

Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith -

a) Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
b) Appears to be made in circumstance of unusual or unjustified complexity; or
c) Appears to have no economic rationale or bona fide purpose

B. What to Report:

a) The nature of the transactions
b) The amount of the transaction and the currency in which it was denominated
c) The date on which the transaction was conducted
d) The parties to the transaction.
e) The reason of suspicion.

C. Furnishing of Information to Director of Financial Intelligence Unit-India:

Under Rule 8 of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing

Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, the Principal Officer shall furnish the information in respect of transactions referred to in Rule 3 every month to the Director by the 7th day of the succeeding month other than transactions referred to in clauses (C) and (D) of sub rule 1 of rule 3.

Provided that information in respect of transactions referred to in clauses (C) and (D) of sub-rule (1) of rule 3 shall be promptly furnished in writing or by way of fax or electronic mail to the Director not later than three working days from the date of occurrence of such transactions.

17. Senior Management:

The Managing Director, Principal Officer and Chief Financial Officer of the Company shall constitute the Senior Management for the purpose of compliance of KYC.

18. Review/ Amendment of the Policy

The Board may amend this Policy as and when deemed fit. This Policy shall subject to review by the Board, at least on an annual basis.

The Company shall reserve the right to review and make amendment to this Policy from time to time as it deems fit in accordance with the applicable laws, rules and regulations for the time being in force. In the event of any conflict between the provisions of this Policy and the Act or Scale Based Regulations or any other statutory enactments, the provisions of Master Direction - Know Your Customer (KYC) Direction, 2016 or Scale Based Regulations or statutory enactments shall prevail over this Policy. An interim review and amendment can also be carried out to accommodate minor changes, if any, on regulatory and operating front by the Compliance Officer of the Company.

ANNEXURE I

1. **For Individual Investor:**

Proof of Identity (Any one)	1. PAN copy 2. Driving License 3. Passport copy 4. Voter ID 5. Bank photo pass book 6. Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of the Company 7. Aadhaar Card
Proof of Address (Any one)	1. Latest Telephone Bill 2. Latest Electricity Bill 3. Passport copy 4. Latest Bank Pass Book / Bank Statement (not more than 3 months prior to the date of application) 5. Voter ID 6. Driving License 7. Ration Card 8. Rent Agreement 9. Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of the Company 10. Aadhaar Card

2. **For HUF:**

Proof of Identity	Copy of PAN card of HUF
Proof of Address (Any one)	1. Latest Bank Pass Book / Bank Statement (not more than 3 months prior to the date of application) 2. Any proof of address provided for Individual can be provided for Karta of HUF

3. **For Non Individuals:**

A. Companies / Bodies Corporate:

Certified copy of the following:

a. Certificate of Incorporation
b. Memorandum and Articles of Association
c. Resolution of Board of Directors authorising investment/ borrowing and authority granted to its managers, officers or employees to transact on its behalf
d. List of Authorised Signatories
e. PAN copy
f. Audited Annual Report for preceding two years
g. Income Tax Return for preceding two years

h. Telephone Bill
i. Officially valid documents in respect of managers, officers or employees holding an attorney to transact on its behalf.

B. For Sole Proprietary Concern

a. Proof of the name, address and activity of the concern,
b. Any registration / licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority / Department. NBFCs/RNBCs may also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document for opening of account.
c. The complete Income Tax return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/ acknowledged by the Income Tax Authorities.
d. Utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern.
e. Sales and income tax returns.
f. CST/VAT certificate.
g. Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.

Any two of the above documents would suffice. These documents should be in the name of the proprietary concern.

C. For Partnership Firms:

Certified copy of the following:

a. Certificate of Registration, in case of Registered Partnership firms
b. Partnership Deed
c. Resolution authorising investment / borrowing
d. List of Authorised Signatories
e. Audited Annual Report for preceding two years
f. Income Tax Return for preceding two years
g. Telephone Bill
h. Officially valid documents in respect of the person holding an attorney to transact on its behalf

D. For Trusts, Foundations, NGOs, Charitable Bodies, Clubs / Mutual Fund Schemes: Certified copy of the following:

a. Certificate of Registration, in case of Registered Trusts
b. Trust Deed
c. Offer document of the Mutual Fund Scheme
d. Resolution authorising investment / borrowing
e. List of Authorised Signatories
f. Audited Annual Report for preceding two years
g. Income Tax Return for preceding two years
h. Telephone Bill
i. Officially valid documents in respect of the person holding a power of attorney to transact on

its behalf.

ANNEXURE II

Customer Identification Requirements – Indicative Guidelines

1) Trust/Nominee or Fiduciary Accounts

There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. The Company should determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, the Company may insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. While opening an account for a trust, the Company should take reasonable precautions to verify the identity of the trustees and the settlers of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries should be identified when they are defined. In the case of a 'foundation', steps should be taken to verify the founder managers/ directors and the beneficiaries, if defined.

2) Accounts of companies and firms

The Company needs to be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with the clients. The Company should examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perception e.g. in the case of a public the Company it will not be necessary to identify all the shareholders.

3) Client accounts opened by professional intermediaries

The Company shall ensure while opening client accounts through professional intermediaries, that:

a. Clients shall be identified when client account is opened by a professional intermediary on behalf of a single client.
b. The Company shall have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.
c. The Company shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the Company.
d. All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of the Company, and there are 'sub-accounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of the Company, the Company shall look for the beneficial owners.
e. The Company shall, at their discretion, rely on the 'customer due diligence' (CDD) done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers.
f. The ultimate responsibility for knowing the customer lies with the Company.

4) Accounts of Politically Exposed Persons (PEPs) resident outside India

"Politically Exposed Persons" (PEPs) are individuals who are or have been entrusted with prominent public functions by a foreign country, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials.

The Company may have the option of establishing a relationship with PEPs provided that:

a. sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP;
b. the identity of the person shall have been verified before accepting the PEP as a customer;
c. the decision to open an account for a PEP is taken at a senior level in accordance with the Company's Customer Acceptance Policy;
d. all such accounts are subjected to enhanced monitoring on an on-going basis;
e. in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval is obtained to continue the business relationship;
f. the CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.
g. These instructions shall also be applicable to accounts where a PEP is the beneficial owner

5) <u>Accounts of non-face-to-face customers</u>

With the introduction of telephone and electronic, increasingly accounts are being opened by the Company for customers without the need for the customer to visit the Company branch. In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, there must be specific and adequate procedures to mitigate the higher risk involved. Certification of all the documents presented may be insisted upon and, if necessary, additional documents may be called for. In such cases, The Company's may also require the first payment to be effected through the customer's account with another the Company which, in turn, adheres to similar KYC standards. In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and the Company may have to rely on third party certification/introduction. In such cases, it must be ensured that the third party is a regulated and supervised entity and has adequate KYC systems in place.