

KOGTA FINANCIAL (INDIA) LIMITED

POLICY DOCUMENT ON

KNOW YOUR CUSTOMER NORMS

AND

ANTI MONEY LAUNDERING (AML) MEASURES

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1. Introduction

Kogta Financial (India) Limited ('the Company' or "Kogta" or "KFL") is a Non-Banking Financial Company ('NBFC') having valid Certificate of Registration with Reserve Bank of India ('RBI') vide registration no. B.10.00086 dated May 27, 2016 under current RBI classification as NBFC - Investment and Credit Company (NBFC-ICC) – Non Deposit taking Systemically Important ('ICC-ND-SI') with more than 20 years of experience in asset finance business.

It is focused on offering financing of all kind of commercial vehicles (HCV, LCV, MUV, SCV), Cars, Tractors, Two-wheelers and MSME & Loan against property segment.

2. Preamble

"Know Your Customer" (KYC) is a set of guidelines aimed at preventing banks, financial institutions and other institutions/companies like non-banking financial companies from being used intentionally or unintentionally by criminal elements for committing financial frauds, transferring or deposits of funds derived from criminal activity or for financing terrorism. KYC procedures also enable banks, financial institutions and other institutions/companies to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently.

Reserve Bank of India (hereinafter 'RBI'), one of the regulatory agencies entrusted with the responsibility of driving the anti-money laundering initiatives advised NBFCs to follow certain customer identification procedure for opening of accounts and monitoring transactions of a suspicious nature for the purpose of reporting it to appropriate authority. RBI revisited these guidelines from time to time keeping in view the recommendations of Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT).

RBI advised NBFCs to ensure that a proper policy framework on 'Know Your Customer' and Anti-Money Laundering measures with the approval of the Board is formulated and put in place. Accordingly, KFL has in place Board approved Anti Money Laundering Policy and KYC Norms (the Policy). Based on the experience gained over the past years, the Policy is proposed to be reviewed and improved keeping in view the Master Directions/Circulars on the subject issued by RBI on February 25, 2016, vide Master Direction - Know Your Customer (KYC) Direction, 2016, as amended from time to time, ('**RBI's Guidelines**') which is to be read along with the extant Directions issued by the RBI in this regard or any other applicable law in force. This policy document is a consolidation of various guidelines issued by Reserve Bank of India as also our Company for proper identification of an account holder/customer.

3. Objectives

1. To lay down explicit criteria for acceptance of customers.
2. To establish procedures to verify the bona-fide identification of individuals/ non individuals before becoming an account holder/customer.
3. 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.
4. To develop measures for conducting due diligence
5. in respect of customers and reporting of such transactions.

6. To comply with applicable laws and regulatory guidelines.
7. To take necessary steps to ensure that the relevant staff are adequately trained in KYC/AML procedures.
8. To prevent criminal elements from using the Company for money laundering activities.

4. Scope

This policy is applicable to all branches and all other offices of the Company.

5. Definitions

- (i) **“Beneficial Owner” (‘BO’)** in relation to a customer is a person or an entity who is to be considered a beneficiary of the financial transaction entered in to with the Company by the customer. A list of persons who are to be considered as such BOs in relation to a customer is given below: -

Type of Customer	Persons to be considered Beneficial Owners (BOs)
Public / Private Limited Companies	a) A natural person having, whether alone or together, or through one or more juridical person, ownership of or entitlement to more than twenty-five percent of shares or capital or profits of the company; or b) A natural person having, whether alone or together, or through one or more juridical person, 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 shareholder’s agreements or voting agreements; or c) Where none of the above is been identified – a natural person who holds the position of senior managing official.
Partnership Firm	a) A natural person having, whether alone or together, or through one or more juridical person, ownership of/ entitlement to more than fifteen percent of capital or profits of the partnership; or b) Where the above is not been identified – a natural person who holds the position of senior managing official
Unincorporated association of persons or body of individuals	a) A natural person having, whether alone or together, or through one or more juridical person, ownership of/ entitlement to more than fifteen percent of property or capital or profits of such association or body of individuals; or b) Where the above is not been identified – a natural person who holds the position of senior managing official.
Trust/ Foundation	a) The Author of the trust; or b) The Trustees of the trust; or c) The Beneficiaries of the trust with fifteen percent or more interest in the trust; or d) A natural person exercising ultimate effective control over the trust through a chain of control or ownership.
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.	

- (ii) **“Customer”** for the purpose of this Policy would have the same meaning as assigned to it under the RBI’s Guidelines on ‘Know Your Customer’ and Anti-Money Laundering Measures, as amended from time to time.
- (iii) **“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’ in the manner provided under this Policy read along with the manner prescribed under the RBI’s Guidelines on “Know Your Customer” and Anti-Money Laundering Measures, as amended from time to time.
- (iv) **“Central KYC Records Registry” (CKYCR)** means the Company, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.
- (v) **“Designated Director”** means a person designated by the Company to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules.
- (vi) **“KYC Templates”** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
- (vii) **“Officially valid document” (OVD)** means the passport, the driving license, proof of possession of Aadhaar number, 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 and letter issued by the National Population Register containing details of name and address. Provided that: -
 - a) Where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.
 - b) 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: -
 - (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 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;
- (viii) **“Principal Officer”** means an officer nominated by the Company, responsible for furnishing information as per rule 8 of the Rules.
- (ix) **“Reporting Entity”** for the purpose of this Policy would mean the Company, Kogta Financial (India) Limited.
- (x) **“Senior Management”** shall include Designated Director, Principal Officer, Key Managerial Personnel, Compliance Officer and National/Functional Heads of the Company.
- (xi) **“Video based Customer Identification Process (V-CIP)”** is an alternate method of customer

identification with facial recognition and customer due diligence by an authorised official of the RE by undertaking seamless, secure, live, informed-consent based audio-visual interaction with the customer to obtain identification information required for CDD purpose, and to ascertain the veracity of the information furnished by the customer through independent verification and maintaining audit trail of the process. Such processes complying with prescribed standards and procedures shall be treated on par with face-to-face CIP for the purpose of this Master Direction..

6. Money Laundering and Terrorist Financing Risk Assessment:

(a) The Company shall 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 & terrorist financing risk. and shall properly document the risk assessment.

(b) Further, the periodicity of risk assessment exercise shall be annual.

(c) The outcome of the exercise shall be put up to the Risk Management Committee.

The Company shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk.

7. Know Your Customer Standards

The revised KYC policy of the Company incorporates the following four elements:

- (i) Customer Acceptance Policy (CAP)
- (ii) Risk Management
- (iii) Customer Identification Procedures (CIP)
- (iv) Monitoring of Transactions; and

(i) Customer Acceptance Policy (CAP)

The following Customer Acceptance Policy indicating the criteria for acceptance of customers shall be followed in the Company. The branches shall accept customer strictly in accordance with the said policy:

1. The Company will have an elaborate standard for obtaining comprehensive information regarding new customers at the initial stage and that of existing customers over a predetermined period, thereby establishing the bonafides of customers opening credit accounts with the Company.
2. The Company will lay down/spell clearly the document requirements and other information to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the guidelines issued by Reserve Bank of India from time to time i.e. nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status etc.
3. The Company will not open accounts in the name of anonymous/fictitious/ benami persons.
4. The Company will ensure that circumstance in which a customer is permitted to act on behalf of another person/entity will be clearly spelt out in conformity with the established law and practice of banking as there could be occasions when an account is operated by a mandate holder or where an account is opened by an intermediary in the fiduciary capacity.

5. 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 PML Act, 2002 and guidelines issued by Reserve Bank from time to time;
6. The Company will ensure that before opening a credit account there are adequate checks to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities like individual terrorist or terrorist organizations.
7. No account is opened where identity of the customer matches with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.
8. Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.

(ii) Risk Management

1. The Board of Directors of the Company shall ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation. It shall 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 shall, in consultation with their Board, 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 business relationship.
2. The Company has an ongoing employee training programme so that the members of the staff are adequately trained in KYC procedures. Training requirements shall 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.
3. The company shall 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 his clients' business and their location etc. The nature and extent of due diligence shall depend on the risk perceived by the company.
4. For the purpose of risk categorization, individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, shall be categorized as low risk. 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.
5. Examples of customers requiring Lower due diligence may include: -
 - i. Salaried employees with well-defined salary structures;
 - ii. People working with government owned companies, regulators and statutory bodies, etc;
 - iii. People belonging to lower economic strata of the society whose accounts show small balances

- and low turnover;
 - iv. People working with Public Sector Units;
 - v. People working with reputed Public Limited Companies and Multinational Companies
6. Examples of customers requiring medium due diligence may include: -
- i. Salaried applicant with variable income/ unstructured income receiving Salary in cheque;
 - ii. Salaried applicant working with Private Limited Companies related to travel agents, telemarketers, internet café and International direct dialing (IDD) call service.
 - iii. Companies having close family shareholding or beneficial ownership
7. Examples of customers requiring higher due diligence may include: -
- i. non-resident customers,
 - ii. high net worth individuals,
 - iii. trusts, charities, NGOs and organizations receiving donations,
 - iv. firms with 'sleeping partners',
 - v. politically exposed persons (PEPs) of foreign origin,
 - vi. non-face to face customers, and
 - vii. those with dubious reputation as per public information available, etc.
 - viii. Individuals and entities listed or identified in – various United Nations' Security Council Resolutions (UNSCRs) such as UN 1267, schedule to the order under section 51A of the Unlawful Activities (Prevention) Act, 1967, in watch lists issued by Interpol and other similar international organizations, regulators, FIU and other competent authorities as high-risk etc.
 - ix. Customers conducting their business relationship or transactions in unusual circumstances, such as significant and unexplained geographic distance between the institution and the location of the customer, frequent and unexplained movement of accounts to different institutions, etc.
 - x. Gambling/gaming including “junket operators” arranging gambling tours.
 - xi. Jewelers and Bullion Dealers
8. Adoption of customer acceptance policy and its implementation shall not become too restrictive and the Company will strive not to inconvenience the general public, especially those who are financially or socially disadvantaged.

(iii) Customer Identification Procedure (CIP)

Identification is an act of establishing who a person is. In the context of KYC, it means establishing who a person purports to be and will involve identifying the customer and verifying his/her identities by using reliable and independent source documents, data or information. For this purpose, the Company 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 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 Company and a burdensome regime for the customers.

Identity is verified for:

- i. the named account holder
- ii. beneficial owners

- iii. signatories to an account and
- iv. Intermediate parties.

1 Accounts of Individuals

In case of customers that are natural person the Company will obtain sufficient identification data to verify (a) the identity of customer (b) his/her address/ location and (c) his/her recent photograph. The Company may also undertake V-CIP to carry out CDD in case of new customer on-boarding for individual customers, proprietor in case of proprietorship firm, and shall adhere to the standards as prescribed under PML Act/ RBI guidelines/KYC Policy. The true identity and bonafides of the existing customers and new potential customers opening credit accounts with the Company and obtaining basic background information would be of paramount importance.

2 Other than individual accounts

For customers that are legal person or entities the Company will (a) verify the legal status of the legal person/entity through proper and relevant documents, (b) 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, (c) understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person. The Company may also undertake V-CIP to carry out CDD in case of new customer on-boarding for authorised signatories and Beneficial Owners (BOs) in case of Legal Entity (LE) customers and shall adhere to the standards as prescribed under PML Act/ RBI guidelines/KYC Policy.

3 Accounts of companies and firms

Branches need to be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with the company. Branches 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 company it will not be necessary to identify all the shareholders. But at least promoters, directors and its executives need to be identified adequately.

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

Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. Branches should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. Branches should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The branches should seek prior approval of their concerned Credit Heads for opening an account in the name of PEP.

5 Accounts of proprietary concerns

The Company may undertake V-CIP to carry out CDD of a proprietorship firm, by obtaining the equivalent e-document of the activity proofs with respect to the proprietorship firm, as mentioned in Section 28 of Master Direction, apart from undertaking CDD of the proprietor and shall adhere to the standards as prescribed under PML Act/ RBI guidelines/KYC Policy. The Company should call for

and verify the following documents before opening of accounts in the name of a proprietary concern:

Proof of the name, address and activity of the concern, like registration certificate (in the case of a registered concern), certificate/licence issued by the Municipal authorities under Shop & Establishment Act, sales and income tax returns, CST/VAT certificate, certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities, Licence issued by the Registering authority like Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, registration/licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority/Department. the Company may also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT, 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 and utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern as required documents for opening of bank accounts of proprietary concerns.

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

6 Obtaining Guarantor on credit facilities

The Company generally insists on “Guarantee” by a known person (who becomes guarantor to a particular credit facility). Obtaining Guarantee from a known person is a process of ascertaining the identity of a person and his acceptability for establishing business relationship and verifying the true identity of the intending customer before opening a credit account. Further, Guarantor also acts as an introducer of the customer to the Company for the credit facilities.

7 Liabilities of the Guarantor

Guarantor is legally responsible to the Company for the repayment of the credit facilities by the customer and is expected to be in a position to identify/trace the account holder in case of need.

8 Procedure for providing Guarantee

The Guarantor will be required to sign on the agreement entered into with the Customer at various places provided in the loan agreement form.

The Guarantor will be normally required to visit the Company's branch for signing the agreement. However, this need not be compulsory.

9 Closure of accounts

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 will consider closing the account or terminating the banking/business relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decisions will be taken at a reasonably senior level.

(iv) Monitoring of Transactions

Ongoing monitoring is an essential element of effective KYC procedures. The Company can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity. However, the extent of monitoring shall depend on the risk sensitivity attached with the client. 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.

The permanent correct address shall mean the address at which a person usually resides and can be taken as the address as mentioned in a utility bill or any other document accepted by the company for verification of the address of the customer. In case utility bill is not in the name of the customer but is close relative: wife, son, daughter and parents etc. who live with their husband, father/mother and son, the company shall obtain an identity document and a utility bill of the relative with whom the prospective customer is living along with a declaration from the relative that the said person (prospective customer) is a relative and is staying with him/her. The company shall use any supplementary evidence such as a letter received through post for further verification of the address. While issuing operational instructions to the branches on the subject, the company shall keep in mind the spirit of instructions issued by the Reserve Bank and avoid undue hardships to individuals who are, otherwise, classified as low risk customers.

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 in case of higher risk perception on a customer. Review of risk categorization of customers shall be carried out at a periodicity of not less than once in six months. The company shall also introduce a system of periodical updation of customer identification data (including photograph/s) after the account is opened. The periodicity of such updation shall not be less than once in five years in case of low risk category customers and not less than once in two years in case of high and medium risk categories in the following manner:

1. INDIVIDUAL CUSTOMERS	
a) No change in 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, ATMs, digital channels (such as online banking / internet banking, mobile application of Company), letter etc.
b) Change in address	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, ATMs, digital channels (such as online banking / internet banking, mobile application of Company), letter etc. The Company 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.
c) Accounts of customers who were minor at the time of opening account on their becoming major	A fresh photographs shall be obtained from the customer on their becoming a major and it shall be ensured that CDD documents as per the current CDD standards are available with the Company. The Company may also carry out fresh KYC of such customers, wherever required.

<p>2. CUSTOMERS OTHER THAN INDIVIDUALS (LEGAL ENTITY)</p> <p>a) No change in KYC information</p> <p>b) Change in KYC information</p>	<p>A self-declaration shall be obtained from the Legal Entity (LE) customer through its email id registered with the Company, ATMs, digital channels (such as online banking / internet banking, mobile application of Company), letter from an official authorized by the LE in this regard, board resolution etc. The Company shall ensure that Beneficial Ownership (BO) information available with them is accurate and up-to-date.</p> <p>The Company shall undertake the KYC process equivalent to that applicable for on-boarding a new LE customer.</p>
<p>3. ADDITIONAL MEASURES</p>	<p>a) The Company shall ensure that the KYC documents of the customer as per the current CDD standards are available with them. Further, if the validity of the CDD documents available with the Company has expired at the time of periodic updation of KYC, Company shall undertake the KYC process equivalent to that applicable for on-boarding a new customer.</p> <p>b) Customer's PAN details, if available with the Company, is verified from the database of the issuing authority at the time of periodic updation of KYC.</p> <p>c) An acknowledgment is provided to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out periodic updation. Further, it shall be ensured that the information / documents obtained from the customers at the time of periodic updation of KYC are promptly updated in the records / database of the Company and an intimation, mentioning the date of updation of KYC details, is provided to the customer.</p> <p>d) In order to ensure customer convenience, Company may consider making available the facility of periodic updation of KYC at any branch, in terms of their internal KYC policy duly approved by the Board of Directors of Company or any committee of the Board to which power has been delegated.</p> <p>e) Company shall ensure that their internal KYC policy and processes on updation / periodic updation of KYC are transparent and adverse actions against the customers should be avoided, unless warranted by specific regulatory requirements.</p>

8. CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR)

CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR) Company shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as required by the KYC templates prepared for 'individuals' and 'Legal Entities' as the case may be.

9. Appointment of Designated Director

Mr. Arun Kogta, Managing Director and Chief Executive Officer of the Company shall be appointed as Designated Director to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and Rules.

10. Appointment of Principal Officer

Mr. Varun Kogta, Whole time Director and Chief Financial Officer has nominated as Principal Officer of the Company, who shall be responsible for ensuring compliance, monitoring transactions, sharing and reporting information as required under PML Act/ KYC Policy.

11. Compliance of KYC policy:

- a) KFL to ensure compliance with KYC Policy through:
 - (i) A senior officer in the rank above of Vice President will constitute as 'Senior Management' for the purpose of KYC compliance.
 - (ii) Allocation of responsibility for effective implementation of policies and procedures at HO / Regional Office/ Zonal Office / Branch Office level.
 - (iii) All HO Departments to ensure compliance of KYC guidelines in their respective areas of operation, products, services, activities etc.
 - (iv) Independent evaluation of the compliance functions of the Company's policies and procedures, including legal and regulatory requirements be done by Internal auditor and Secretarial Auditor appointed by the Company;
 - (v) Internal auditor shall verify the compliance with KYC / AML policies and procedures and submit audit notes and compliance to the Audit Committee on yearly basis.

- b) The company shall ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

12. Maintenance of records of transactions/Information to be preserved/Maintenance and preservation of records/Cash and Suspicious transactions reporting to Financial Intelligence Unit- India (FIU-IND)

Government of India, Ministry of Finance, Department of Revenue, vide its notification dated July 1, 2005 in the Gazette of India, has notified the Rules under the Prevention of Money Laundering Act (PMLA), 2002. In terms of the said Rules, the provisions of PMLA, 2002 came into effect from July 1, 2005. Section 12 of the PMLA, 2002 casts certain obligations on the banking/Financial companies in regard to preservation and reporting of customer account information.

(i) Maintenance of records of transactions

The company shall maintain the proper record of transactions prescribed under Rule 3 of PML Rules, 2005, as mentioned below:

- a) all cash transactions of the value of more than Rupees Ten Lakh or its equivalent in foreign currency;

- b) 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 or its equivalent in foreign currency;
- c) all transactions involving receipts by non-profit organizations of value more than rupees ten lakh or its equivalent in foreign currency;
- d) 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 or a document has taken place facilitating the transaction;
- e) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.
- f) all cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India;
- g) all purchase and sale by any person of immovable property valued at fifty lakh rupees or more that is registered by the reporting entity, as the case may be.

(ii) Information to be preserved

The company will maintain all necessary information in respect of transactions referred to in Rule 3 to permit reconstruction of individual transaction, including the following information:

- 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; and
- d) the parties to the transaction

(iii) Maintenance and Preservation of Records

The company will maintain the records containing information of all transactions including the records of transactions detailed in Rule 3 above. The company should also take appropriate steps to 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.

Further, in terms of PML Amendment Act 2012 notified on February 15, 2013, the company should maintain for at least five years from the date of transaction between the company 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.

The company should ensure that records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least five years after the business relationship is ended as required under Rule 10 of the Rules. The identification records and transaction data should be made available to the competent authorities upon request.

(iv) Reporting to Financial Intelligence Unit – India: -

There are following below mentioned reporting which are filed with FIU-ID at FINGATE:

Snapshot of various Transactions Reporting Formats to Financial Intelligence Unit – India						
Sl.	Report	Description	Amount	Frequency and Due Date	Formats	
1	Cash Transaction Reports (CTR)	All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency.	Rs. 10,00,000/-	Event Based and 15th day of the succeeding month	As Prescribed from time to time.	
		All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month				
2	Counterfeit Currency Reports (CCR)	All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions				
3	Non-Profit Organization Transaction Report (NTR)	All transactions involving receipts by non-profit organizations of value more than Rs. Ten lakhs or, its equivalent in foreign currency				
4	Cross Border Wire Transfer Reports (CBWTR)	All cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India.				Rs. 5,00,000/-
5	Report on sale/purchase of immovable property (IPR)	All purchase and sale by any person of immovable property valued at fifty lakh rupees or more that is registered by the reporting entity*, as the case may be.				Rs. 50,00,000/-
6	Suspicious Transaction Reports (STR)	All suspicious transactions whether or not made in cash		Event Based and Not later than seven working days on being satisfied that the transaction is suspicious.		
<p align="center">In terms of the PMLA rules, the Company will report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address and portal</p>						
Address			Portal			
<p align="center">Director, FIU-IND, Financial Intelligence Unit-India, 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi-110021</p>			<p align="center">http://fiuindia.gov.in/</p>			

The above guidelines do not require the company to report NIL transactions.

13. Combating financing of terrorism

In terms of PMLA Rules, suspicious transaction shall include inter alia transactions which give rise to a reasonable ground of suspicion that these may involve financing of the activities relating to terrorism. The company, therefore, shall develop suitable mechanism through appropriate policy framework for enhanced monitoring of accounts suspected of having terrorist links and swift identification of the transactions and making suitable reports to the Financial Intelligence Unit – India (FIU-IND) on priority.

As and when list of individuals and entities, approved by Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs), is circulated by Reserve Bank, the company shall ensure to update the consolidated list of individuals and entities as circulated by Reserve Bank. The company shall, before opening any new account, ensure that the name/s of the proposed customer does not appear in the list. Further, the company shall scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall be immediately be intimated to RBI and FIU-IND. KYC norms/AML standards/CFT measures have been prescribed to ensure that criminals are not allowed to misuse the financial channels. Adequate screening mechanism shall be put in place by the company as an integral part of recruitment/hiring process of personnel.

14. Customer Education/Employee's Training/Employee's Hiring

a) Customer Education

The Company recognizes the need to spread awareness on KYC, Anti Money Laundering measures and the rationale behind them amongst the customers and shall take suitable steps for the purpose.

The front desk staffs need to be specially trained to handle such situations while dealing with customers.

b) Employees' Training

The company must have an ongoing employee training programme so that the members of the staff are adequately trained in KYC procedures. Training requirements 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.

15. Review

The Company's CEO, CFO and COO have been entrusted with the responsibility of enforcement of this policy. They are hereby given absolute power to jointly or severally, make necessary changes, amendments or additions or removals for the operational aspects of the policy within the overall spirit and guidance from time to time for reasons like technology or process upgradation, regulatory changes, maintaining competitive edge or responding to changes in market or risk environment, etc. This is required to ensure full operational freedom to the senior management and make the management team more adaptive to rapid changing external environment. All changes so made shall be noted to the policy approving authority during the next policy review.

The CEO, CFO and COO can decide on delegation of authority and can design / redesign MIS systems and reporting as they see fit to improve the responsibility and accountability within the team hierarchy.

Annexure
Illustrative Customer identification procedure

Types of customers: features to be verified.	Illustrative Documents to be obtained
<p>Accounts of individuals:</p> <ul style="list-style-type: none"> - Legal name and any other names used - Correct permanent address 	<p>(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving License (v) Job Card issued by NREGA duly signed by an officer of the State Govt (vi) The letter issued by the Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number (vii) Identity card (subject to the bank's satisfaction) (viii) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of bank (ix) Aadhar Card including e-Aadhar.</p> <p>(i) Telephone bill (ii) Bank account statement (iii) letter from any recognized public authority (iv) Electricity bill (v) Ration card (vi) Aadhar Card including e-Aadhar (vii) Letter from employer (subject to satisfaction of the Company) (any one document which provides customer information to the satisfaction of the Company will suffice).</p>
<p>Accounts of partnership firms</p> <ul style="list-style-type: none"> • Legal name • Address • Names of all partners and their addresses • Telephone numbers of the firm and partners. 	<p>(i)Registration certificate, if registered (ii) Partnership deed (iii) PAN of the Partnership Firm (iv) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf (v) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses (vi) Telephone bill in the name of firm/partners.</p>
<p>Accounts of companies</p> <ul style="list-style-type: none"> • Name of the company • Principal place of business • Mailing address of the company • Telephone/Fax Number. 	<p>(i) Certificate of Incorporation and Memorandum & Articles of Association (ii) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account (iii) Power of Attorney granted to its managers, officers or employees to transact business on its behalf (iv) Copy of PAN allotment letter (v) Copy of the telephone bill.</p>
<p>Accounts of trusts & foundations</p> <ul style="list-style-type: none"> • Names of trustees, settlers, beneficiaries and signatories. • Names and addresses of the founder, the managers/ directors and the beneficiaries. Telephone/fax numbers 	<p>(i) Certificate of registration, if registered (ii) Trust Deed (iii) PAN or Form 60 of the Trust (iv) Power of Attorney granted to transact business on its behalf (v) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/ directors and their addresses.(iv) Resolution of the managing body of the foundation/ association.(v) Telephone bill.</p>

<ul style="list-style-type: none"> Telephone/fax numbers. 	<p>Attorney, founders/managers/ directors and their addresses. (vi) Resolution of the managing body of the foundation/ association. (vii) Telephone bill.</p>
<p>Accounts of Proprietorship Concerns</p> <ul style="list-style-type: none"> Proof of the name, address and activity of the concern 	<p>(i) Registration certificate (in the case of a registered concern)</p> <p>(ii) Certificate/licence issued by the Municipal authorities under Shop & Establishment Act,</p> <p>(iii) Sales and income tax returns</p> <p>(iv) CST/VAT certificate/GST Certificate</p> <p>(v) Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities</p> <p>(vi) Licence issued by the Registering authority like Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, registration / licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority/ Department, etc. Banks may also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document for opening of the bank account etc.</p> <p>(vii) 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.</p> <p>(viii) Utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern.</p> <p>Any two of the above documents would suffice. These documents should be in the name of the proprietary concern.</p>