Connect Equipment Leasing Private Limited

PMLA & KYC Policy based on Prevention of Money Laundering Act 2002, Rules framed thereunder and Reserve Bank of India's Know Your Customer (KYC) Directions, 2016

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1. Background

RBI has issued a Master Direction "Know Your Customer (KYC) Directions, 2016" having reference no. Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 dated February 25, 2016. The Master Direction issued is mainly in respect of 'Know Your Customer' (KYC) Guidelines and Anti Money Laundering Standards (AML) based on 'Prevention of Money Laundering Act, 2002 and rules thereunder, the recommendations made by the Financial Action Task Force (FATF) on anti-money laundering standards and amendments made from time to time. In view of the same, Connect Equipment Leasing Private Limited (**The Company**) has framed this policy based on the policy framework prescribed by PMLA 2002 and KYC Directions issued by RBI, and alongwith suitable modifications to the same, this policy has been adopted by the Board of Directors of the Company.

2. Objectives and Scope

The objective of this policy is to prevent the company from being used, intentionally or unintentionally, by criminal elements or otherwise for money-laundering activities. KYC procedures enable the company to know and understand its customers and their financial dealings in a better way which in turn helps manage the risks prudently. Thus, the KYC policy has been framed for attaining the following objectives:

a. To prevent criminal elements from using Company for money laundering activities
b. To enable Company to know and understand its Customers and their financial dealings better which, in turn, would help the Company to manage risks prudently
c. To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures
d. To comply with applicable laws and regulatory guidelines
e. To ensure that the concerned staff are adequately trained in KYC/AML/CFT procedures. This KYC Policy is applicable to all branches/offices of the Company and is to be read in conjunction with related operational guidelines issued from time to time.

3. Customer

For the purpose of this KYC policy, a 'Customer' means a Person as defined under Know Your Customer (Reserve Bank) Directions issued by RBI (and amended from time to time) which, at present, is as under:

a. A person or entity that maintains an account and/or has a business relationship with the Company;
b. A Person who has a Registered Account with Company and has a financial transaction or activity with the Company;
c. A Person on whose behalf the Registered Account is maintained (i.e. the beneficial owner);
d. Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted under the law;
e. Any other Person connected with a financial transaction which can pose significant reputation or other risks to Company, say a wire transfer or issue of high value demand draft as a single transaction.

'Person' for the purpose of this policy shall have the same meaning as defined in the KYC Directions issued by RBI (and amended from time to time) which, at present, is as follows:

'Person' shall include:
a. An Individual
b. A Hindu Undivided Family
c. A Company
d. A Firm
e. An Association of Persons / Body of Individuals, whether incorporated or not
f. every artificial juridical person, not falling within any one of the above persons (a - e), and
g. any agency, office or branch owned or controlled by any of the above persons (a - f)

4. Key Elements

A Customer Acceptance Policy (CAP)

The Company's CAP lays down the criteria for acceptance of Customers. The guidelines in respect of Customer relationship in the Company broadly include the following:

a. This policy strictly prohibits to open any account with the Company in anonymous or fictitious / benami name(s)/entity(ies)
b. The Customers are to be accepted only after verifying and establishing their identity, as laid down in Customer Identification Procedures. All necessary processes are to be implemented, before opening an account, to ensure that the identity of the Customer does not match with any person with known criminal background or who is associated with known criminal organizations such as individual terrorists or terrorist organizations, etc.
c. In case of joint account holders, Client Identification Procedures are to be carried out for all joint holders before opening an account
d. Classify Customers into various risk categories and, based on risk perception, apply the acceptance criteria for each category of Customers. Also, a profile of each Customer will be prepared based on risk categorization. Customer requiring very high level of monitoring, e.g. Politically Exposed Persons as explained in Annexure I may, if considered necessary, be kept in the High Risk Category
e. Documentation requirements and other information to be collected in respect of different categories of Customers depending on perceived risk and compliances with Prevention of Money Laundering Act, 2002 (PMLA) and RBI/ Company's guidelines/instructions
f. Not to open an account or close an existing account (except as provided in this Policy), where identity of the account holder cannot be verified and/or documents/information required could not be obtained/confirmed, as per the risk categorization, due to non-cooperation of the Customer or non -reliability of the data/ information furnished to Company. Suitable built – in safeguards shall be provided to avoid any harassment to Customers
g. Implementation of CAP should not become too restrictive and result in denial of the Company services to general public.
h. The decision to open an account for Politically Exposed Person (PEP) should be taken at the level of Board of Directors. It may, however, be necessary to have suitable built in safeguards to avoid harassment of the customer. 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
i. Circumstances in which a Customer is permitted to act on behalf of another person/ entity shall be clearly spelt out in conformity with the established law and practice and shall be strictly followed so as to avoid occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in the fiduciary capacity

The Company shall prepare a profile for each new Customer during the credit appraisal based on risk categorization as mentioned in this Policy in **Annexure I**. The Customer profile shall contain information relating to the Customer's identity, social and financial status and nature of employment or business activity. The nature and extent of due diligence will depend on the risk perceived by Company. At the time of credit appraisal of the Customer the details are recorded along with his profile based on the documents provided by the Customer and verified by Company either by itself or through third party sources. The documents collected will be as per the product norms as may be in practice. However, while preparing Customer profile, the Company shall seek only such information from the Customer which is relevant to the risk category and is not intrusive. Any other information from the Customer should be sought separately with his/her consent and after opening the account.

The Customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or for any other purposes other than for disclosure of events / transactions to the Credit Information Companies, based on the Company's agreement with the Credit Information Companies.

As per KYC policy, for acceptance and identification, Company's Customers shall be categorized based on perceived risk broadly into three categories – A, B & C. Category A includes High Risk Customers, Category B contain Medium Risk Customers while Category C Customers include Low Risk Customers. None of the Customers will be exempted from Company's KYC procedure, irrespective of the status and relationship with Company or its Promoters. The above requirement may be moderated according to the risk perception as explained in Annexure I.

a. High Risk – Category A Customers

High Risk Customers typically include:

1) Non-Resident Customers
2) High net worth individuals without an occupation track record of more than 3 years
3) Trust, charitable organizations, Non-Government Organization (NGO), organizations receiving donations
4) Companies having close family shareholding or beneficial ownership;
5) Firms with sleeping partners
6) Politically exposed persons (PEPs) of Indian/ foreign origin;
7) Non Face to face Customers
8) Person with dubious reputation as per public information available

b. Medium Risk – Category B Customers

Medium Risk Customers typically include:

1) Salaried applicant with variable income/ unstructured income receiving Salary in cheque
2) Salaried applicant working with Private Limited Companies, Proprietary, Partnership firms
3) Self- employed professionals other than High Net-Worth Individuals
4) Self-employed customers with sound business and profitable track record for a reasonable period
5) HNIs with occupation track record of more than 3 years

c. Low Risk – Category C Customers

Low Risk individuals (other than high net worth) and entities whose identities and sources of wealth can be easily identified and all other person not covered under above two categories. Customer carrying low risk may include the following:

1) Salaried employees with well-defined salary structures for over 5 years
2) People working with government owned companies, regulators and statutory bodies, MNC's, rated companies public sector units, public limited companies etc. In the event of an existing Customer or the beneficial owner of an existing account subsequently becoming a PEP, the Company will obtain approval from Board of Directors in such cases to continue the business relationship with such person, and also undertake enhanced monitoring as indicated and specified in Annexure I
3) People belonging to lower economic strata of the society whose accounts show small balances and low turnover
4) People working with Public Sector Units
5) People working with reputed Public Limited Companies and Multinational Companies

B Customer Identification Procedures (CIP)

Customer Identification means identifying the Customer and verifying his/her/its identity by using reliable, independent source documents, data or information. The Company shall obtain sufficient information necessary to verify the identity of each new Customer along with brief details of its promoters and management, wherever applicable, whether regular or occasional and the purpose of the intended nature of business relationship as specified in Annexure I and Annexure IV. The requirement as mentioned herein may be moderated according to the risk perception for e.g. in the case of a public listed company it may not be necessary to identify all the shareholders.

Besides risk perception, the nature of information/documents required would also depend on the type of Customer (individual, corporate etc). For Customers that are natural persons, Company shall obtain sufficient identification data to verify the identity of the Customer, his address/location, and also his recent photograph. For customers that are legal persons or entities, the Company shall:

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 ultimately controlling the legal person.

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 I.

An indicative list of the nature and type of documents/information that may be relied upon for customer identification is given in Annexure II.

The Company shall periodically update Customer Identification Data after the transaction is entered. The periodicity of updating of Customer Identification data shall be once in ten years in case of Low Risk Category Customers and once in two years in case of High and Medium Risk Categories.

C Monitoring of Transactions

Ongoing monitoring is an essential element of effective KYC procedures. Monitoring of transactions and its extent will be conducted taking into consideration the risk profile and risk sensitivity of the account. Company shall make endeavors to understand the normal and reasonable activity of the customer so that the transactions that fall outside the regular pattern of activity can be identified. Special attention is to be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose. Company may prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions which exceed these limits. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract the attention of Company. Higher risk accounts are to be subjected to intense monitoring. Company shall set key indicators for such accounts based on the background of the customer, country of origin, sources of funds, the type of transactions involved and other risk factors which shall determine the extent of monitoring. The Company shall carry out the periodic review of risk categorization of transactions/customer's accounts and the need for applying enhanced due diligence measures at a periodicity of not less than once in six months. Company shall explore the possibility of validating the new account opening applications with various watch lists available in public domain, including but not limited to RBI watch list.

D Risk Management

The Management of the Company under the supervision of the Board of Directors shall ensure that an effective KYC procedure is put in place by establishing appropriate processes and ensuring their effective implementation. It will cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility is to be explicitly allocated within the Company for ensuring that the policies and procedures as applicable to Company are implemented effectively. The Company shall 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.

E Training Programmes

Company shall have an ongoing employee training programs so that the members of the staff are adequately trained in KYC/AML/CFT procedures. Training requirements shall have different focuses for front line staff, compliance staff and officer/ staff dealing with new Customers so that all those concerned fully understand the rationale behind the KYC Policies and implement them consistently.

F Internal Control Systems

The Company's Internal Compliance functions will evaluate and ensure adherence to the KYC Policies and procedures. As a general rule, the compliance function will provide an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements. The Management of the Company under the supervision of the Board of Directors shall ensure that the audit function is staffed adequately with skilled individuals. It is essential to specifically check and verify the application of KYC procedures and comment on the lapses observed in this regard. Further, the Company shall have an adequate screening mechanism in place as an integral part of their recruitment/ hiring process of personnel so as to ensure that person of criminal nature/ background do not get an access, to misuse the financial channel.

G Record Keeping

The Company shall maintain proper records of the transactions as required under Section 12 of the PMLA read with Rule 3 of the Prevention of Money Laundering Rules, 2005 (PML Rules) as mentioned below:

a. All cash transactions of the value of more than Rupees Ten Lakhs (Rs. 10, 00, 000/-) or its equivalent in foreign currency, though by policy the Company neither accept cash deposits nor in foreign currency
b. All series of cash transactions integrally connected to each other which have been valued below Rupees Ten Lakhs (Rs. 10,00,000/-) or its equivalent in foreign currency where such series of transactions have taken place within a month
c. All transactions involving receipts by non-profit organizations of Rupees ten lakhs 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 has taken place; any such transactions
e. All suspicious transactions whether or not made in cash and in manner as mentioned in the PML Rules framed by the Government of India under PMLA. An Illustrative List of suspicious transaction pertaining to financial services is given in Annexure IV

The Records referred to above in Rule 3 of PML Rules should contain 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
d. the parties to the transaction, especially the documents for identification of beneficial owner

Records of all transactions referred to in clause (a) of sub-section (1) of Section 12 of PML Act read with Rule 3 of the PML Rules is required to be maintained for a period of Ten (10) years from the date of transactions between the customers and Company.

Records of the identity of all Customers of Company are required to be maintained for a period of Ten (10) years from the date of cessation of transactions between the Customers and Company.

Company shall take appropriate steps to evolve a system for proper maintenance and preservation of information in a manner (in hard and/or soft copies) that allows data to be retrieved easily and quickly whenever required or as/ when requested by the competent authorities.

H Appointment of Principal Officer and Designated Director

Company shall designate a senior employee as 'Principal Officer' (PO) who shall be located at the Head/Corporate office and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. PO shall maintain close liaison with enforcement agencies, NBFCs, Credit Information Companies, FIU-Ind, and any other institutions involved in the fight against money laundering and CFT.

The Company shall also appoint one of the Directors as a 'Designated Director' to ensure overall compliance with the obligations imposed under the PML Act and the KYC Directions.

To ensure the effectiveness of the above posts, the Company shall ensure that at no point in time is the Principal Officer same as Designated Director.

All necessary details of the above referred officials, upon appointment and subsequent changes, shall be intimated to the Reserve Bank of India as well as to the Financial Intelligence Unit – India.

I Reporting to Financial Intelligence Unit – India (FIU-Ind)

PO shall report information relating to cash and suspicious transactions, if detected, to the Director, Financial Intelligence Unit India (FIU-Ind) as advised in terms of the PML Rules, in the prescribed formats as designed and circulated by RBI at the following address alongwith necessary online filings:

The Director,
Financial Intelligence Unit – India,
06th Floor, Hotel Samrat,
Kautilya Marg, Chanakyapuri,
New Delhi – 110021, India.

The Company shall maintain strict confidentiality of the fact of furnishing / reporting details of suspicious transactions.

5. General

A Customer Education

Company shall educate Customers on the objectives of the KYC policy so that Customer understands and appreciates the motive and purpose of collecting such information. The Company shall prepare specific literature / pamphlets, terms and conditions etc. so as to educate the Customer about the objectives of this policy.

B Introduction of New Technologies

Company shall pay special attention to any money laundering threats that may arise from new or developing technologies including online transactions that may favor anonymity, and take measures, if needed, to prevent their use in money laundering. Company shall ensure that any remittance of funds by way of demand draft, mail/telegraphic transfer or any other mode for any amount is affected by proper banking channels and not against cash payment.

C Closure of Accounts / Termination of Financing / Business Relationship

Where Company is unable to apply appropriate KYC measures due to non-furnishing of information and/or non-operation by the Customer, Company shall terminate Financing/Business Relationship after issuing due notice to the Customer explaining the reasons for taking such a decision. Such decision shall be taken with the approval of a Director and/or key managerial persons authorized for the purpose.

D KYC for existing accounts

While the KYC Policy will apply to all new Customers, the same would be applied to the existing Customers on the basis of materiality and risk. However, transactions with existing Customers would be continuously monitored for any unusual pattern in the operation of the accounts.

E Exception Handling

Exceptions to this Policy must be approved by the Chief Compliance Officer, or the Designated person. All exceptions must be documented, with reasons for the exceptions, including expiration or review date and, wherever necessary, include an action plan and timelines for compliance with the Policy.

F Updation in KYC Policy of Company

PO shall, after taking the due approval from the Board of Directors, make the necessary amendments / modifications in the KYC Policy or such other related guidance notes of Company, to be in line with RBI or such other statutory authority's requirements / updates / amendments from time to time, but not later than once in a financial year.

6. Effective Date

This Policy is effective from ___ April 2017 pursuant to its adoption by the Board of Directors in the Board Meeting of the Company conducted on ___ April, 2017.

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Annexure I
Customer Identification Requirements

1. **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. The Company shall 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. The Company shall verify the identity of the Person and seek information about the sources of funds before accepting the PEP as a Customer. The decision to provide financial services to an account for PEP shall be taken at the Board of Directors level and shall be subjected to monitoring on an ongoing basis. The above norms may also be applied to the accounts of the family members or close relatives of PEPs.

2. **Accounts of non-face-to-face Customers**
   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 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.

3. **Trust/Nominee or Fiduciary Accounts**
   The Company shall determine whether the Customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, they shall insist on receipt of satisfactory evidence of the identity of the intermediaries and of the Persons on whose behalf they are reacting, as also obtain details of the nature of the trust or other arrangements in place. The Company shall 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 shall be identified when they are defined. In the case of a foundation, branches shall take steps to verify the founder managers/ directors and the beneficiaries, if defined. There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the Customer Identification Procedures.

4. **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 Company. The Company mandatorily has to 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 shall not be necessary to identify all the shareholders.

Know Your Customer (KYC) Process

Client Registration Form for each client shall be obtained before opening an account.

Mandatory Documents:
Collect the relevant documents, supporting and proofs as per documentation requirements established in the organisation.

1. Verification and Due diligence by KYC Desk

a. KYC desk to receive duly filled in Client Registration Docket along with the supporting documents from Relationship Manager (RM) and to verify duly filled Client Registration Docket with the supporting documents for their completeness in all respects and to rectify the same in case of any deficiencies.

b. Ensure that all the supporting documents and other additional documents are collected and are self attested by the client himself.

c. In case of Corporate clients, ensure that Resolution of Board of Directors approving the transactions and naming the authorized persons for carrying out the necessary formalities on letter head of the company.

d. Ensure that corporate client is authorized to enter into loan transaction and carry out the activity for which the loan is being taken as per Memorandum of Association and Articles of Association and should be marked by RM.

e. While interacting with the Client, RM/KYC desk may conduct due diligence of the client for knowing the client's background, history, financial status / capability, assessment of business patterns and to verify genuineness of the client.

f. Cross check PAN details of the client like Permanent Account Number, Name, Father's Name (in case of Individual client), Date of Birth / Incorporation with the details on the website of the Income Tax Department and attach the proof of the same with KYC docket.

g. In case PAN details are not matching substantially with PAN details printed on PAN Card and PAN details appearing on IT website, take appropriate action to get it clarified from the client. In case of minor discrepancy in the name, obtain the declaration from the client about the same.

h. Ensure that name filled up in client registration form, Agreement and other document is same as name appearing on PAN card.

i. KYC desk should check 'world-check.com', 'watchoutinvestors.com' and SEBI/ Exchange website for client's history and status.

j. In case of a corporate client, ensure that the name of the company is not appearing in the list of vanishing companies as provided on Ministry of Corporate Affairs (MCA) website. Keep the checking detail with the KYC docket.

k. In case of default or any action taken by any regulatory authorities against such client is found on verification then seek clarification from the client and co-ordinate with client or RM to find out further details in such default and status as on date.

l. Check the details of prospective client/customer in CIBIL records for defaults as appearing in the records.

m. Dispatch welcome letter stating details like Client code allotted, his email ID, important terms and conditions of the contract and loan facility offered etc. to the client as per fair practice code and maintain the dispatch records.

n. A copy of all the documents executed by client shall be given to him, within reasonable time from the date of acceptance of loan request. Client acknowledgement shall be obtained for receipt of the same.

Due Diligence from PMLA Point of view

a. Customer Identification Procedures shall be applied to an extent that is sensitive to the risk of money laundering and terrorist financing depending on the type of customer, business relationship or transactions involved.

b. Company shall determine from available sources of information whether the client or potential client or the beneficial owner of such client is a politically exposed person (PEP).

c. Company shall obtain sufficient information in order to identify persons who beneficially own or control or influences a client's loan account. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

d. Whenever it is apparent that the loans account maintained is beneficially owned by a party other than the client, that party will be identified using client identification and verification procedures.

e. Company shall apply customer due diligence on a risk sensitive basis depending on the type of customer, business relationship or transaction.

f. Documentation requirement and other information will be collected in respect of different classes of clients depending on perceived risk and having regard to the requirement of the PMLA, guidelines issued by RBI from time to time. Indicative list for additional documents that may be obtained from High Risk Clients:
   - Annual Statement of the accounts / financial information
   - Sources of Funds / Securities (if any),
   - Last 6 months bank statements,
   - Last 6 months demat transactions statements, etc.
   - Employment / Profession Status and Certificate thereof,
   - Group Company / other relatives details,

   It shall be ensured that a loan account is not opened where
   - The Company is unable to apply appropriate clients due diligence measures / KYC policies.
   - Where it is not possible to ascertain the identity of the client,
   - Information provided to the intermediary is suspected to be non genuine,
   - There is perceived non co-operation of the client in providing full and complete information

g. Necessary checks are to be in place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide. (For e.g. list of individuals/entities as obtained from United Nations website should be checked, The Company before opening any new account will ensure that the name/s of the proposed customer/client does not appear in the list.

h. Necessary checks also to be conducted for existing clients on ongoing basis to ensure that they are not falling in banned list provided by stock exchanges / SEBI / RBI from time to time.

The KYC information obtained shall be shared with the Central KYC Records Registry in the manner mentioned in the Rules, as required by the KYC templates available for 'Individuals' and 'Legal Entities', as the case may be.

2. Client Acceptance and Identification Process

a. The Company has to ensure that the existing guidelines regarding Customer / business acceptance is strictly followed. Existing / past relationship with the client should be verified and ensured that the client is not on the negative list / defaulters list.

b. A detailed search to be carried out to find that the Client is not in defaulters / negative list of regulators. (Search should invariably be carried out on SEBI website www.sebi.gov.in, CIBIL website www.cibil.com, relevant data received from CIBIL, sanctions list issued by Reserve Bank of India and Ministry of Company Affairs sponsored website www.watchoutinvestors.com.)

c. In case of corporates, the antecedents of the company (change of name and registered office in particular) and of all promoters and directors is to be traced.

d. In case of need, an opinion report may be obtained from the bankers / institutions financing the client.

e. An assessment shall be made of the financial worthiness of the client by obtaining appropriate declarations at KYC stage.

f. A thorough assessment shall be carried out to ascertain whether the client is dealing with the company on his own behalf or some one else is the beneficial owner. If there are doubts, before acceptance of the clients, thorough due diligence shall be carried out to establish the genuineness of the claims of the clients. Secrecy laws shall not be allowed as a reason to disclose true identity of the beneficiary / transacting party.

g. No client shall be accepted where it is not possible to ascertain the identity of the client, or the information provided is suspected to be non-genuine, or if there is perceived non-cooperation of the client in providing full and complete information. The company shall not continue to do business with such a person and file a suspicious activity report. The company shall consult the relevant authorities in determining what action it shall take when it suspects suspicious transactions being carried out.

h. No transaction or account based relationship is to be undertaken without following the Customer Identification Procedures.
i. In the case of Clients who want to act through agent under Power of Attorney, a notorised power of attorney shall be obtained along with request letter from the client, proof of identity and address of power of attorney holder. Original of the POA and identity, address proof should be verified. Care should be taken to ensure the genuineness of the client and his agent.
j. Know Your Client forms duly signed by the client shall be obtained before acceptance of the clients.
k. In case the client belongs to CSC (Client of Special category), the additional due diligence process shall be initiated.
l. Any transaction from the client shall be accepted only after customer acceptance procedure is completed.

The following categories will be deemed to be special category clients

- Non-resident clients
- High Net worth clients
- Trust, Charities, NGOs and organizations receiving donations
- Companies having close family shareholdings or beneficial Ownership
- Politically exposed persons (PEP) of foreign origin 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.
- Family members or close relatives of PEPs
- Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)
- Companies offering foreign exchange offerings
- Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.
- Non face to face clients
- Clients with dubious reputation as per public information available etc. (checking can be done on SEBI, RBI, Exchange, Watchoutinvestors.com, 'Worldcheck', 'Google' check, etc. website to categorized the client)
- Any other category of client as may be defined and included by the company under this list or on a case to case basis from time to time.

Client identification procedures shall be carried out at following different stages:

- While establishing the relationship with the client
- While carrying out transactions for the client
- When the company has doubts regarding the veracity or the adequacy of previously obtained client identification data.

The Company shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship. Each original document shall be seen prior to acceptance of a copy. The authorised persons' signature has to be obtained on the KYC kit stating "All Originals seen and verified" and also stamped of in-person verification by the employee of the company.

Failure/Refusal by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority within the Company.

Risk based approach shall be followed towards certification of documentation.

Identification of client and introduction by an acceptable person are important pre-requisite for opening an account. Proper introduction or verification of the identity of the client may be obtained while opening an account.

Before opening the accounts, a personal interaction may be had with the client except in the case of NRIs where the power of attorney holder is the Authorised dealer Bank.

In case of companies, any one of the following viz. main promoter/ Managing Director/ whole time director / key management person and in the case of partnership any one of the active partners may be met in person before opening the loan accounts.

Caution is to be exercised when identifying companies which appear to be 'shell companies' or 'front companies'. Shell/front companies are legal entities which have no business substance in their own right but through which financial transactions may be conducted.

After opening the account, a letter of thanks / welcome letter should be sent by registered post/speed post, at the recorded address. This will serve the dual purpose of thanking them for opening the account and for verification of genuineness of address provided by the account holder. Transactions should not be allowed if the mail comes undelivered. The undelivered envelope should be retained with the KYC papers for further inquiries, if necessary.

KYC Rejection Procedures

In case where the documents or information obtained from client is not sufficient as outlined in the policy, the KYC will be rejected unless it is covered under the exception handling procedure as mentioned in clause 13 above. Any changes/amendments made in the Policy shall be put before the Board of Directors in their meeting immediately succeeding such changes/amendments, for purpose of information.

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Annexure II
Indicative List of Documents to be obtained for Client Identification Procedures

Features	Documents
Accounts of Individuals - Legal name and any other names used and Correct permanent address	a. Passport b. PAN card c. Voter's Identity Card d. Driving license e. Identity card (subject to the Company's satisfaction) f. Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of bank g. Telephone bill h. Bank account statement i. Letter from any recognized public authority j. Electricity bill k. Ration card l. Letter from employer (subject to satisfaction of the bank) m. (any one document which provides customer information to the satisfaction of the company will suffice)
Accounts of companies - Name of the company - Principal place of business - Mailing address of the company - Telephone/Fax Number	a. Certificate of incorporation and Memorandum & Articles of Association b. Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account c. Power of Attorney granted to its managers, officers or employees to transact business on its behalf d. Copy of PAN allotment letter e. Copy of the telephone bill f. Officially Valid Documents of the Power of Attorney holder
Accounts of partnership firms - Legal name - Address - Names of all partners and their addresses - Telephone numbers of the firm and partners	a. Registration certificate, if registered b. Partnership deed c. Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf d. Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses e. Telephone bill in the name of firm/partners
Accounts of trusts & foundations - Names of trustees, settlers, beneficiaries and signatories - Names and addresses of the founder, the managers/directors and the beneficiaries - Telephone/fax numbers	a. Certificate of registration, if registered b. Power of Attorney granted to transact business on its behalf c. Any officially valid document to identify the trustees, settlors, beneficiaries and those holding Power of Attorney, founders/managers/ directors and their addresses d. Resolution of the managing body of the foundation/association e. Telephone bill f. Electricity Bill

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Annexure III
Illustrative List of Suspicious Transactions

Suspicious Activities Transactions Involving Large Amounts of Cash
Company transactions, that are denominated by unusually large amounts of cash rather than normally associated with the normal commercial operations of the company, e.g. cheques.

Transactions that do not make Economic Sense
Transactions in which assets are withdrawn immediately after being deposited unless the business activities of the customer's furnishes a plausible reason for immediate withdrawal.

Activities not consistent with the Customer's Business
Accounts with large volume of credits whereas the nature of business does not justify such credits.

Attempts to avoid Reporting/Record-keeping Requirements
- A customer who is reluctant to provide information needed for a mandatory report, to have the report filed or to proceed with a transaction after being informed that the report must be filed.
- Any individual or group that coerces/induces or attempts to coerce/induce a NBFC employee not to file any reports or any other forms.
- An account where there are several cash transactions below a specified threshold level to a avoid filing of reports that may be necessary in case of transactions above the threshold level, as the customer intentionally splits the transaction into smaller amounts for the purpose of avoiding the threshold limit.

Unusual Activities
Funds coming from the countries/centers which are known for money laundering.

Customer/Client who provides Insufficient or Suspicious Information
- A customer/company who is reluctant to provide complete information regarding the purpose of the business, prior business relationships, officers or directors, or its locations.
- A customer/company who is reluctant to reveal details about its activities or to provide financial statements.
- A customer who has no record of past or present employment but makes frequent large transactions.

Employees arousing Suspicion
- An employee whose lavish lifestyle cannot be supported by his or her salary.
- Negligence of employees/willful blindness is reported repeatedly.

Some examples of suspicious activities/transactions to be monitored:
- Large Cash Transactions
- Multiple accounts under the same name
- Placing funds in term Deposits and using them as security for more loans
- Sudden surge in activity level
- Same funds being moved repeatedly among several accounts

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