

'KNOW YOUR CUSTOMER' POLICY

1.0 Preamble:

Money Laundering is the process of concealing financial transactions to make illegitimate money, derived from illegal activities such as embezzlement/ corruption/ illegal gambling/ terrorism/ organized crime, appear legitimate. Its main objective is to hide the true source of illegal proceeds and make them legally usable, by converting them into legitimate money through a series of financial transactions. Technological advancements have helped money launderers adopt innovative means to transfer funds faster across continents making detection and preventive action more difficult. The attempted misuse of the financial system for perpetration of frauds has been recognized globally as a major problem that needs to be continuously tackled at every level in a dynamic manner. Our role in curbing this global reality begins with stringent Know Your Customer procedures.

In the light of the guidelines issued by Reserve Bank Of India and updated from time to time a standardized and uniform policy framework has been adopted by Srinidhi Credit Private Limited ("SCPL"/"Company") to ensure appropriate customer identification and monitoring of unusual/ suspicious transactions on an ongoing basis. It aims at preventing the Non-Banking Finance Company's (NBFC's) 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.

2.0 Objectives, Scope and Application of the policy:

The objective of KYC guidelines is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities. KYC procedures shall also enable the Company to know and understand its Customers and its financial dealings better which in turn will help it to manage its risks prudently.

Thus, the KYC policy has been framed by the Company for following purpose:

1. To prevent criminal elements from using SCPL for money laundering activities;
2. To enable SCPL to know/ understand its customers and their financial dealings better which, in turn, would help the Company to manage its risks prudently
3. To put in place appropriate process and controls for early detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.
4. To comply with applicable laws and regulatory guidelines.
5. To ensure that the concerned staff are adequately trained in KYC/AML/CFT procedures.

The Policy includes four **key elements**:

1. Customer Acceptance Policy(CAP)
2. Customer Identification Procedures (CIP)
3. Monitoring of Transactions and
4. Risk management

3.0 Definition of Customer:

“Customer” means a person who is engaged in a financial transaction or activity with the Company and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting. 4.0 Key elements

4.1. Customer Acceptance Policy(“CAP”)

SCPL’s Customer Acceptance policy (CAP) lays down the criteria for acceptance of customers. SCPL shall ensure that::

- a) No application for financial facilities is accepted in anonymous or fictitious / benami name(s) /entity(ies).
- b) No application is processed where SCPL is unable to apply appropriate Customer Due Diligence measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer
- c) Accept customers only after verifying their identity, as laid down in Customer Identification Procedures. Necessary checks before opening a new account are to be ensured so that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.
- d) Classify customers into various risk categories and, based on risk perception, apply the acceptance criteria for each category of customers. Parameters of risk perception are clearly defined in terms of nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status etc., to enable categorization of customers into low, medium and high risk. Customer requiring very high level of monitoring, e.g. Politically Exposed Persons (PEPs –as explained in Annexure 1) may, if considered necessary, will be kept in the High Risk Category.
- e) Not to open an account or close an existing account where the company is unable to apply appropriate customer due diligence measures i.e. company is unable to verify the identity and / or obtain documents required as per the risk categorization due to non - cooperation of the customer or non-reliability of the data/information furnished to the company. It may, however, be necessary to have 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;
- (f) Circumstances, in which a customer is permitted to act on behalf of another person/entity, would be clearly spelt out;

The Company shall prepare a profile for each new customer during the credit appraisal. The customer profile shall contain the information relating to the 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 will depend on the risk perceived by SCPL. The customer profile will be a confidential document and details contained therein

shall not be divulged for cross selling or for any other purposes.

Customers that are likely to pose a higher than average risk to the company will 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. SCPL will apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear.

Examples of customers requiring higher due diligence include:

- (a) Non- resident customers,
- (b) High net worth individuals,
- (c) trusts, charities, NGOs and organizations receiving donations,
- (d) Companies having close family shareholding or beneficial ownership,
- (e) Firms with 'sleeping partners',
- (f) Politically exposed persons (PEPs) of foreign origin,
- (g) Non-face to face customers, and
- (h) Those with dubious reputation as per public information available, etc.

4.2. Customer Identification Procedures ("CIP")

Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. SCPL 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.

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, SCPL 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 -

- (i) Verify the legal status of the legal person/ entity through proper and relevant documents,
- (ii) Verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person,
- (iii) Understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control 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 1**.

An indicative list of the nature and type of documents/information that may be relied upon for customer identification is given in **Annexure 2**.

The Company will frame internal guidelines based on its experience of dealing with such persons/entities, normal prudence and the legal requirements.

SCPL shall carry out identification procedure at different stages, i.e. while establishing a relationship; carrying out a financial transaction or when there is a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data. As per Rule 9(IA) of the Prevention of Money Laundering Rules, 2005, SCPL is required to identify the beneficial owner and take all reasonable steps to verify his identity. The term "beneficial owner" has been defined as the natural person who ultimately owns or controls a client and/or the person on whose behalf the transaction is being conducted, and includes a person who exercises ultimate effective control over a juridical person. Government of India has since examined the issue and has specified the procedure for determination of Beneficial Ownership. The procedure as advised by the Government of India is asunder:

A. Where the client is a person other than an individual or trust, SCPL shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

(i) The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

(ii) In cases where there exists doubt under (i) as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

(iii) Where no natural person is identified under (i) or (ii) above, the identity of the relevant natural person who holds the position of senior managing official.

B. Where the client is a trust, SCPL shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

C. Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

4.3. 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. SCPL 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 will be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose. SCPL will prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions which exceed these limits.

SCPL shall ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002. It may also be ensured that transactions of suspicious nature and/ or any other type of transaction notified under section 12 of the PML Act, 2002, is reported to the appropriate law enforcement authority

4.4. Risk Management:

The Management under the supervision of 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 will cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility will be explicitly allocated within the Company for ensuring that the policies and procedures as applicable to SCPL 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.

5.0 Training Programme:

SCPL 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 frontline staff, compliance staff and officer/ staff dealing with new customers so that concerned comply with KYC policies and implement them consistently.

6.0 Internal Control System:

The Company's internal audit and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures. As a general rule, the compliance function should provide an independent evaluation of the company's own policies and procedures, including legal and regulatory requirements. SCPL shall ensure that their audit machinery is staffed adequately with individuals who are well versed in such policies and procedures. Concurrent/ Internal Auditors shall specifically check and verify the application of KYC procedures and comment on the lapses observed in this regard. The compliance in this regard shall be placed before the Audit Committee of the Board..

7.0 Record keeping:

7.1 Maintenance of records of transactions:

The Company shall maintain proper record of the transactions as required under Section 12 of the Prevention of Money Laundering Act, 2002 (PMLA) read with Rules 3 of the PML Rules as mentioned below:

- (i) All cash transactions of the value of more than Rs. 10 lakhs or its equivalent in foreign currency, though by policy the Company does not accept cash deposits in foreign currency.
- (ii) All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month.

(iii) All transactions involving receipts by non-profit organizations of Rs. 10 lakhs or its equivalent in foreign currency.

(iv) 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.

(v) All suspicious transactions whether or not made in cash and in manner as mentioned in the Rule framed by the Government of India under PMLA.

7.2 Information to be preserved:

SCPL shall maintain the following information in respect of transactions referred to in Rule 3 of PMLA –

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

7.3 Maintenance and preservation of records

Section 12 of PMLA requires the Company to maintain records as under:

i. Records of all transactions referred to in clause (a) of Sub-section (1) of section 12 read with Rule 3 of the PML Rules is required to be maintained for a period of ten years from the date of transactions between the clients and SCPL.

ii. Records of the identity of all clients of SCPL are required to be maintained for a period of ten years from the date of cessation of transactions between the clients and SCPL. SCPL shall take appropriate steps to evolve a system for proper maintenance and preservation of information in a manner (in hard and soft copies) that allows data to be retrieved easily and quickly whenever required or as/ when requested by the competent authorities.

8.0 Appointment of Principal Officer

The Board of SCPL has designated Mr. Yogesh Sundaram as Principal Officer of the Company. **Reporting to Financial Intelligence Unit –India**

The Principal Officer shall report information relating to cash and suspicious transactions, if detected, to the Director, Financial Intelligence Unit India (FIUIND) as advised in terms of the PMLA rules, in the prescribed formats as designed and circulated by RBI at the following address:

Director, FIU-IND,
Financial Intelligence Unit India,
6th Floor, Hotel Samrat, Chanakyapuri
New Delhi 110021

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

9.0 General

9.1 Customer Education

SCPL shall educate the Customer on the objectives of the KYC Programme so that customer understands and appreciates the motive and purpose of collecting such information.

9.2 Introduction of new technologies

SCPL shall pay special attention to any money laundering threats that may arise from new or developing technologies including online transactions that may favour anonymity, and take measures, if needed, to prevent their use in money laundering. SCPL 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 cheques and not against cash payment.

9.3 Closure of Accounts / Termination of Financing / Business Relationship

Where SCPL is unable to apply appropriate KYC measures due to non-furnishing of information and/or non-operation by the customer, SCPL 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 Chairman & Managing Director or key managerial persons authorized for the purpose.

9.4 KYC for the Existing Accounts:

While the KYC guidelines 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.

9.5 Updating KYC Policy of Company

PO after taking the due approval from the Board of Directors of SCPL shall make the necessary amendments/modifications in the KYC/ AML/ CFT Policy or such other related guidance notes of Company, to be in line with RBI or such other statutory authority's requirements/updates/ amendments from time to time.

Annexure 1

Customer Identification Requirements (Indicative Guidelines)

Trust/Nominee or Fiduciary Accounts

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

Accounts of companies and firms

SCPL shall be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with banks. SCPL shall 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.

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. SCPL 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. SCPL 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 open an account for PEP shall be taken at a senior level which shall be clearly spelt out in Customer Acceptance policy. SCPL shall also subject such accounts to enhanced monitoring on an ongoing basis. The above norms will also be applied to the accounts of the family members or close relatives of PEPs.

Annexure 2

Customer Identification Procedure: Documents to be obtained from Customers

Feature s	Documents (Certified Copy)
Individuals (Applicant/ Co –Applicant) – Legal name and any other names used	a. Passport b. PAN card c. Voter’s Identity Card d. Driving license e. Identity card (subject to the Company’s satisfaction) f. Aadhar Card g. Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of Company
- Correct permanent address	(i) Telephone bill (ii) Bank Account statement (iii) Letter from any recognized public authority (iv) Electricity bill (v) Letter from employer (subject to satisfaction of the Company) (Any one document which provides customer information to the satisfaction of the Company will suffice) One recent passport size photograph except in case of transactions referred to in Rule 9(1)(b) of the PML Rules
Companies (Applicant/ Co – Applicant) - Name of the company - Principal place of business - Mailing address of the company - Telephone/Fax Number	(i) Certificate of incorporation and Memorandum & Articles of Association (ii) List of directors of the company (iii) Identity and address proof of all directors (iv) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account (v) Copy of PAN allotment letter (vi) Copy of the utility bills such as electricity, water and landline telephone bills in the name of the company.

<p>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 	<ul style="list-style-type: none"> (i) Registration certificate, if registered (ii) Partnership deed (iii) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses (iv) Telephone bill in the name of firm/partners (v) Identity and address proof of all partners
<p>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 & the beneficiaries - Telephone/fax numbers 	<ul style="list-style-type: none"> (i) Certificate of registration, if registered (ii) Trust Deed (iii) Power of Attorney granted to transact business on its behalf (if applicable) (iv) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/ managers/ directors and their addresses (if applicable) (v) Resolution of the managing body of the foundation/association (vi) Telephone bill or personal visit or such other documents to verify existence.
<p>Societies / NGOs</p> <ul style="list-style-type: none"> - Names of trustees, settlers, beneficiaries and signatories - Names and addresses of the founder, the managers / directors & the beneficiaries - Telephone & Fax number 	<ul style="list-style-type: none"> (i) Certificate of registration, if registered (ii) Bye laws (iii) Power of Attorney granted to transact business on its behalf (if applicable) (iv) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/ managers/ directors and their addresses (if applicable) (v) Resolution of the managing body of the foundation/association (vi) Telephone bill or personal visit or such other documents to verify existence.

Accounts of Proprietary Concerns

-Name, Address and Activity of the Proprietary Concern.

- i) Proof of the name, address and activity of the concern, like registration certificate (in the case of a registered concern), certificate/license 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, license issued by the Registering Authority like Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, etc.
- ii) Any registration / licensing documents issued in the name of the proprietary concern by the Central Government or State Government Authority / Department, IEC (Importer Exporter Code) issued to the Proprietary concern by the office of DGFT as an Identity document for opening of account.
- iii) 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.
- iv) Utility bills such as electricity, water and landline telephone bills in the name of the proprietary concern.
- v) Any two of the above documents would suffice. These documents should be in the name of the proprietary concern

Annexure 3

An Indicative List of 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 and the nature of business do not justify such credits.

Attempts to avoid Reporting/Record-keeping Requirements:

- (i) 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.
- (ii) Any individual or group that coerces/induces or attempts to coerce/induce a NBFC employee not to file any reports or any other forms.
- (iii) An account where there are several cash transactions below a specified threshold level to 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 from countries/ centers known for money laundering activities.

Customer who provides Insufficient or Suspicious Information

- (i) 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.
- (ii) A customer/company who is reluctant to reveal details about its activities or to provide financial statements.
- (iii) A customer who has no record of past or present employment but makes frequent large transactions.

Certain NBFC Employees arousing Suspicion

- (i) An employee whose lavish lifestyle cannot be supported by his or her salary.
- (ii) Negligence of employees/willful blindness is reported repeatedly.

Some examples of suspicious activities/transactions to be monitored by the operating staff-

- 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.