



प्रयास हमारा, उन्नति आपकी

**KNOW YOUR CUSTOMER AND ANTI
MONEY LAUNDERING POLICY
(KYC & AML POLICY)**

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PREAMBLE

Reserve Bank of India has issued guidelines in regard to Know Your Customer (KYC) standards to be followed by banks and NBFCs.

NBFCs are required to put in place a comprehensive policy framework, duly approved by Board of Directors. This policy document has been prepared in line with the RBI guidelines:

OBJECTIVES, SCOPE AND APPLICATION OF THE POLICY

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

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

CUSTOMER ACCEPTANCE POLICY (CAP)

PAISABUDDY FINANCE PRIVATE LIMITED (PAISABUDDY) Customer Acceptance Policy lays down explicit criteria for acceptance of customers, ensures the following aspects of the customer relationship:

- No account is opened in anonymous or fictitious /benami name(s);
- Customers are all assessed for location of residence, business if any including type of clients and also the mode of transactions and payments.
- Documentation requirements and other information 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 from time to time.
- PAISABUDDY will not open an account where it is unable to apply appropriate customer due diligence measures, i.e. where PAISABUDDY is unable to verify the identity and /or obtain documents required as per the risk categorization due to non-co-operation of the customer or non-reliability of the data/information furnished.
- Checks against any notified list of the RBI, before accepting a customer, to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.

PAISABUDDY will prepare a profile for each new customer which contains information relating to the customer's identity, social/financial status, nature of business activity, information about his clients' business and their location, etc. However, while preparing the customer profile, PAISABUDDY will seek only such information from the customer which is relevant and is not intrusive. The customer profile will be a confidential document and details contained therein will not be divulged for cross selling or any other purposes.

It is important to bear in mind that the adoption of Customer Acceptance Policy and its implementation will not result in denial of PAISABUDDY services to the general public.

Customer Acceptance Policy requires all customers to fill in Application Form to capture the relevant data for all categories of customers and provide supporting documents as a part of customer identification process / KYC.

Customer Identification Procedure

The policy clearly spell out the Customer Identification Procedure to be carried out at different stages i.e. while establishing a business relationship; carrying out a financial transaction or when the Company has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data. Customer identification means identifying the customer and verifying the identity by using reliable, independent source documents, data or information. PAISABUDDY 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 business 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.

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, the Company will obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph.

The Company will take reasonable measures to identify the beneficial owner(s) and verify his/her/their identity in a manner so that it is satisfied that it knows who the beneficial owner(s) is/are. Documentation requirements and other information shall 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 of India from time to time.

The documents requirements would be reviewed periodically as and when required for updation keeping in view the emerging business requirements. Senior Official(s) in charge of the Policy are empowered to make amendments to the list of such documents required for customer identification in consultation with the sales and distribution channels and compliance.

Monitoring of Transactions

Ongoing monitoring is an essential element of effective KYC procedures. PAISABUDDY can effectively control and reduce risk by having an understanding of the normal and reasonable activity of the customers. However, the extent of monitoring will depend on the risk sensitivity of the account. Since PAISABUDDY being a Non Deposit Accepting NBFC will not have any deposit accounts, this situation will hardly arise, but PAISABUDDY will in any case pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent

economic or visible lawful purpose, or transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer.

Risk Management

The Board of Directors of PAISABUDDY has ensured that an effective KYC program is in place and has established appropriate procedures and is overseeing its effective implementation. The program covers proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility has been explicitly allocated to ensure that PAISABUDDY policies and procedures are implemented effectively.

There will be risk profile prepared for each customer and enhanced due diligence measures will be applied on higher risk customers. PAISABUDDY should take steps to identify and assess their ML/FT risk for customers, countries and geographical areas as also for products/ services/ transactions/delivery channels as prescribed.

The NBFC 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.

PAISABUDDY Board will directly evaluate and ensure adherence to the KYC policies and procedures, including legal and regulatory requirements.

PAISABUDDY has already ensured that the Sales, Operational and Credit staff are aware that no loan accounts will be created unless the KYC procedures are adhered to completely. Periodical review of risk categorization of customer accounts will be carried out.

Introduction of New Technologies

PAISABUDDY pays special attention to any money laundering threats that may arise from new or developing technologies including on-line transactions that might favour anonymity and take measures, if needed, to prevent its use in money laundering schemes.

Appointment of Principal Officer

PAISABUDDY has appointed its Whole Time Director to be designated as 'Principal Officer'. As per the RBI guidelines, the Principal Officer will be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. The Principal Officer will put in place a system of internal reporting of suspicious transactions and cash transactions of Rs.10 lakh and above.

The Principal Officer and other appropriate staff should have timely access to customer identification data and other Customer Due Diligence (CDD) information, transaction records and other relevant information. The role and responsibilities of the Principal Officer should include overseeing and ensuring overall compliance with regulatory guidelines on KYC/AML/CFT issued from time to time and obligations under the Prevention of Money Laundering Act, 2002, rules and regulations made thereunder, as amended from time to time.

Maintenance and Preservation of records

PAISABUDDY has a system of maintaining proper record of transactions as required under Prevention of Money-Laundering Act and value of transactions, the procedure and manner of maintaining and verification and maintenance of records of the identity of the clients, as mentioned below:

- I. all cash transactions of the value of more than Rs.10 lakh or its equivalent in foreign currency;
- II. all series of cash transactions integrally connected to each other which have been valued below Rs. 10 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 Rs.10 lakh;
- III. 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;
- IV. all suspicious transactions whether or not made in cash and in manner as mentioned in the Rules framed by Government of India under the Prevention of Money Laundering Act , 2002.

PAISABUDDY is required to maintain the following information in respect of transactions referred above:

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

PAISABUDDY has an appropriate 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.

The necessary records of transactions, both domestic which permits 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 are maintained for at least ten years from the date of cessation of transaction between the Intec and the client.

All the records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least ten years after the business relationship is ended. The identification records and transaction data are made available to the competent authorities upon request.

PAISABUDDY has 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.

Reporting to Financial Intelligence Unit-India

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:

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

PAISABUDDY will ensure that the provisions of PMLA Rules framed and the Foreign Contribution and Regulation Act, 1976, wherever applicable, are adhered to strictly.

There are five reporting formats prescribed for a banking company viz.

- i) Manual reporting of cash transactions
- ii) Manual reporting of suspicious transactions
- iii) Consolidated reporting of cash transactions by Principal Officer of the bank
- iv) Electronic data structure for cash transaction reporting and
- v) Electronic data structure for suspicious transaction reporting

NBFC's are required to adopt the format prescribed for banks with suitable modifications. It would be necessary to initiate urgent steps to ensure electronic filing of cash transaction report (CTR). However manual reports needs to be filed to FIU-IND.

Suspicion of money laundering/terrorist financing

Whenever there is suspicion of money laundering or terrorist financing or when other factors give rise to a belief that the customer does not, in fact, pose a low risk, PAISABUDDY should carry out full scale Customer Due Diligence (CDD) before opening an account.

Filing of Suspicious Transaction Report (STR)

PAISABUDDY should not open an account (or should consider closing an existing account) when it is unable to apply appropriate CDD measures. It was clarified that in the circumstances when a NBFC believes that it would no longer be satisfied that it knows the true identity of the account holder, the Company should also file an STR with FIU-IND.

KYC Checklist:

Entities:

1- KYC Documents for Individuals

Any two of the following documents in the name of the Individual needs to be obtained if the loan is in the name of an Individual (Main Applicant)

- a) Ration card with Photo;
- b) Voter ID- It is a unique number issued by the Election Commission of India. It generally serves as identity proof, address proof, and age proof;
- c) PAN Card- also known as PAN, is a unique 10-digit alpha-numeric identifier, issued by the government to all judicial entities identifiable under the Indian Income Tax act. PAN is one of the most important documents as unlike other documents it is not affected by a change of address;
- d) Passport ;
- e) Driving license;
- f) Bank passbook with photograph;
- g) Aadhar Card (UID) A unique 12-digit identity number assigned to every Indian;
- h) (masking initial eight numbers)
- i) Company ID Card.

Key points to keep in mind while verifying the document:

- Name of the applicant on the Identity should match the details on the system.
- Father's / Spouse name of the applicant should match.
- Photograph of the applicant should match with the live photo.

2-KYC Document for Proprietorship:

Any two of the following documents in the name of the proprietary concern needs to be obtained if the loan is in the name of Proprietorship Firm (Main Applicant)

- a. Registration certificate
- b. Certificate/license issued by the municipal authorities under Shop and Establishment Act.
- c. Sales and income tax returns.
- d. CST/VAT certificate.
- e. Certificate/registration document issued by Sales Tax/GST/Professional Tax authorities.
- f. IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT / License/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
- g. 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.
- h. Utility bills such as electricity, water, and landline telephone bills.

3- KYC Document for Companies:

If main applicant is Company than One certified copy of each of the following documents shall be obtained:

- a. Certificate of incorporation;
- b. Memorandum and Articles of Association;
- c. A resolution from the Board of Directors and power of attorney granted to its Director, Managers, Officers or employees to transact on its behalf; and
- d. An officially valid document in respect of Director, Managers, Officers or employees holding an attorney to transact on its behalf.

4-KYC Document for Partnership Firms:

If main applicant is Partnership firm than one certified copy of each of the following documents shall be obtained:

- a. Registration certificate;
- b. Partnership deed; and
- c. An officially valid document in respect of the person holding an attorney to transact on its behalf.

5-KYC Document for Trusts and Foundations:

If main applicant is Trust and/or Foundations than One certified copy of each of the following documents shall be obtained:

- a. Registration certificate;
- b. Trust deed; and
- c. An officially valid document in respect of the person holding a power of attorney to transact on its behalf.

Note:

- I. Photograph of the applicant & Co-applicant is mandatory, however digitally captured photograph is acceptable.
- II. The KYC documents/ Officially Valid documents (OVD) can be verified by the employees/ representatives/ service providers of PAISABUDDY.
- III. The customers shall not be required to furnish an additional OVD, if the OVD submitted by the customer for KYC contains both proof of identity and proof of address.
- IV. KYCs of all beneficial owners irrespective of the constitution shall be collected which means
 - a. Ownership of more than 25% shares in a company or
 - b. More than 25% of ownership in other forms of entities (LLP / Partnership firms etc.).

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.

In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

KYC Document for Individuals/Directors/Partners/Proprietor/Trustee/Co borrower:

1.	ID Proof (any two)	<p>j) Ration card with Photo</p> <p>k) Voter ID- It is a unique number issued by the Election Commission of India. It generally serves as identity proof, address proof, and age proof.</p> <p>l) PAN Card- also known as PAN, is a unique 10-digit alpha-numeric identifier, issued by the government to all judicial entities identifiable under the Indian Income Tax act. PAN is one of the most important documents as unlike other documents it is not affected by a change of address.</p> <p>m) Passport</p> <p>n) Driving license</p> <p>o) Bank passbook with photograph</p> <p>p) <u>Aadhar Card (UID)</u> A unique 12-digit identity number assigned to every Indian. (masking initial eight numbers)</p> <p>q) Company ID Card</p> <p>Key points to keep in mind while verifying the document:</p> <ul style="list-style-type: none"> • Name of the applicant on the Identity should match the details on the system. • Father's / Spouse name of the applicant should match. • Photograph of the applicant should match with the live photo.
2	Current Residence Address Proof (any two)	<p>a) Sale deed / registration certificate</p> <p>b) Utility bills – Electricity Bill (up to 6 months old) or Water Bill or Gas bill</p> <p>c) Rental / lease agreement</p> <p>d) Proof of Residence issued by Local Authorities (Municipal Corporation or Gram Panchayat)</p> <p>e) Voter ID (If the address mentioned is the current address)</p> <p>f) Ration card with Photo (If the address mentioned is the current address)</p> <p>g) Passport (If the address mentioned is the current address)</p> <p>h) Driving license (If the address mentioned is the current address)</p> <p>i) Aadhar (masking initial eight numbers)</p> <p>j) Bank Passbook with Photo</p> <p>k) Letter from employer (Govt.)</p>

Customers, at their option, shall submit one of the OVDs for proof of identity and proof of address. In all scenarios PAN Card is compulsory.

Note:

1. Provided further that where 'simplified measures' are applied for verifying, for the limited purpose of, proof of address the following additional documents are deemed to be OVDs :
 - a. Utility bill which is not more than Six months old of any service provider (electricity, telephone, broad band, piped gas, Water bill);
 - b. Property or Municipal tax receipt;
 - c. Bank account or Post Office savings bank account statement;