

Know Your Customer Policy

Preamble

Reserve Bank of India (RBI) had advised all NBFCs to follow certain customer identification procedure for opening of accounts and monitoring transactions of a suspicious nature for the purpose of reporting it to appropriate authority. These 'Know Your Customer' guidelines have been revisited by RBI in the context of the Recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT). Detailed guidelines based on the Recommendations of the Financial Action Task Force and the paper issued on Customer Due Diligence (CDD) for NBFCs by the Basel Committee on Banking Supervision, with indicative suggestions wherever considered necessary, have been issued by RBI vide their letter no. DNBS (PD)/CC No. 339/03.10.42/2013- 14 dated 1 July 2013.

In view of the same, FINDOC FINVEST PRIVATE LIMITED (FFPL) has adopted the said KYC guidelines with suitable modifications depending on the activity undertaken by it. The Company has ensured that a proper policy framework on KYC and AML measures be formulated in line with the prescribed RBI guidelines and put in place duly approved by its Board of Directors.

Through this Policy, the Company stands committed to:

- a. Accepting only those clients whose identity is established by conducting due diligence appropriate to the risk profile of the customer.
- b. Recording and preserving audit trail for the transactions conducted by Customers to facilitate investigation.
- c. Reporting to the Financial Intelligence Unit – India (FIU-Ind), or any other agency designated by the Reserve Bank of India or any other regulatory body, the details of transactions of all or selected clients if and when requested or at regular frequency as may be suggested by such agencies.
- d. Cooperating with investigating agencies / law enforcement agencies in their efforts to trace money laundering transactions and persons involved in such transactions.

Objective

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To establish a comprehensive framework for customer identification, due diligence, and monitoring, ensuring compliance with the Prevention of Money Laundering Act (PMLA), 2002, and RBI regulations

1. To prevent criminal elements from FFPL for money laundering activities or terrorist financing activities
2. To enable FFPL to know/ understand its customers and their financial dealings better which, in turn, would help the Company to manage risks prudently

To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.

Key elements

Customer Acceptance Policy (CAP)

FFPL's Customer Acceptance policy (CAP) lays down the criteria for acceptance of customers. The guidelines in respect of the customer relationship in FFPL broadly includes the following:

- (i) No account shall be opened in anonymous or fictitious/ benami name(s);
- (ii) No transaction or account- based relationship will be undertaken without following the Customer Due Diligence (CDD) procedure.
 - a. The mandatory information to be sought for KYC purpose while opening an account and during the periodic updates as specified, should be obtained.
 - b. 'Optional'/additional information is obtained with the explicit consent of the customer after the account is opened.
 - c. CDD procedure is followed for all the joint account holders while opening a Joint Account.
- (iii) Circumstances, in which a customer is permitted to act on behalf of another person/entity, should be clearly spelt out in conformity with the established law as there could be occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in the fiduciary capacity;
- (iv) Parameters of risk assessment in terms of the customers' identity, social/ financial status, nature of business activity, information about the clients' business and their locations, etc. have been defined in Risk Categorization to enable categorization of customers into low, medium and high risk
- (v) While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities or other entities may also be factored in documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of PML Act, 2002 and guidelines issued by the RBI from time to time;
- (vi) The Company shall not open an account where it is unable to apply appropriate CDD measures, i.e., the Company is unable to verify the identity and /or obtain documents required as per the risk categorisation 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;
- (vii) Before opening a new account necessary screening will be performed so as to ensure that the

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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 or whose name appears in the lists circulated by RBI/ SEBI/ NHB/ IRDA, United Nations Security Council (UNSC), OFAC, as per section 51A of the Unlawful Activities (Prevention) Act, 1967, watch list by Interpol, etc. These are done using the list/ information/ databases available on World-check, Watch-out Investors, website of OFAC, UNSCR (as mentioned below) or such other information sources/tools.

FFPL 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.

- a. A Unique Customer Identification Code (UCIC) shall be allotted while entering into new relationships with all individual customers as also the existing customers.
- b. The Company may rely on the 'customer due diligence' done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers. In addition to the foregoing, for the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, the Company may rely on customer due diligence done by a third party, subject to the following conditions:
 - i. Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.
 - ii. Adequate steps are taken by FFPL to satisfy itself that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.
 - iii. The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the Prevention of Money-Laundering Act, 2002.

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The adoption of customer acceptance policy and its implementation should not become too restrictive and must not result in denial of financial facility to members of the general public, especially those, who are financially or socially disadvantaged.

Customer Identification Procedures (CIP)

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

Customer Identification Procedure to be carried out at different stages as under:

- Commencement of an account-based relationship with the customer;
- When the Company has a doubt about the authenticity or adequacy of the customer identification data obtained by the Company. 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 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 should 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. 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 shall obtain sufficient identification data to verify the identity of the customer, his/ her address/ location, and also his/ her 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; and (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 - I**. If the Company accepts such accounts in terms of the Customer Acceptance Policy, the Company shall 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.

An indicative list of the nature and type of documents/information that shall be relied upon for customer identification is given in the KYC Documentation Policy annexed as **Annexure-II**.

- a. The Company shall ensure that decision-making functions of determining compliance with KYC norms shall not be outsourced.
- b. Introduction shall not be sought while opening accounts.
- c. The Company shall not ask the customer to furnish an additional OVD, if the OVD submitted by

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the customer for KYC contains both proof of identity and proof of address. Further, the customer shall not be required to furnish separate proof of address for permanent and current addresses, if these are different. The Company shall obtain a declaration from the customer about her/ his local address on which all correspondence will be made by the Company, in the event the proof of address furnished by the customer is the address where the customer is currently residing.

The Company shall allot Unique Customer Identification Code (UCIC) to all their customers while entering into any new relationships.

Identification of Beneficial Owner

As per Rule 9(IA) of the Prevention of Money Laundering Rules, 2005, FFPL 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 as under:

A. Where the client is a person other than an individual or trust, FFPL 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, FFPL 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

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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.

Monitoring of Transactions:

- The Company shall pay special attention to all large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
- The Company shall prescribe threshold limits for specific categories of accounts and pay particular attention to the transactions which exceed prescribed thresholds, based on income and / or net worth of the customer.
- Currently, no cash transactions are done by the Company, since all disbursements and repayments are made through normal banking channels only. However, should it ever be necessary to operate cash, transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract the attention of the company. Very high account turnover inconsistent with the size of the balance maintained may indicate that funds are being 'washed' through the account.
- High-risk accounts shall be subjected to intensify monitoring and enhanced due diligence. The Company shall set key indicators for such accounts, taking note of the background of the customer, such as the country of origin, sources of funds, the type of transactions involved and other risk factors. The Company shall put in place a system of periodical review of risk categorization of accounts, with such periodicity being at least once in 6 (six) months and the need for applying enhanced due diligence measures.
- The records of transactions in the accounts shall be preserved and maintained as required in terms of section 12 of the PML Act, 2002. The Company shall report the transactions of suspicious nature and/ or any other type of transaction notified under section 12 of the PML Act, 2002, to the appropriate law enforcement authority.
- While currently, no cash transactions are undertaken, in the unforeseen event of such transactions taking place, the Company will maintain a proper record of all cash transactions (deposits and withdrawals) of Rs.10 lakh and above. The internal monitoring system shall have an inbuilt procedure for reporting of such transactions and those of suspicious nature to concerned department.

Risk Management

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

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and procedures as applicable to FFPL are implemented effectively.

- a) 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
- b) The audit machinery shall be staffed adequately with individuals who are well-versed in such policies and procedures. The Internal Auditors shall specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard shall be put up before the Audit Committee of the Board/ Board on half yearly intervals.
- c) The Company shall have an ongoing employee training programme so that the members of the staff are adequately trained in KYC and AML procedures. Training requirements shall have different focuses for frontline staff, compliance staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policy and implement the same consistently.

Training Programme

FFPL 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 all those concerned fully understand the rationale behind the KYC policies and implement them consistently

Record Management

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:

- 1) maintain all necessary records of transactions between the Company and the customer for at least 5 (five) years from the date of transaction;
- 2) preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship for at least 5 (five) years after the business relationship is ended;
- 3) make available the identification records and transaction data to the competent authorities upon request;
- 4) introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005;
- 5) maintain all necessary information in respect of transactions prescribed under PML Rule 3 as to permit reconstruction of individual transaction, including the nature, amount and date of transaction and the parties to the transaction;
- 6) evolve a system for proper maintenance and preservation of account information in a manner that allows easy and quick retrieval of data whenever required or requested by the competent authorities; and
- 7) maintain records of identity and address of the customers and records in respect of transactions referred to in PML Rule 3 in hard or soft format.

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The Company shall upload the KYC data pertaining to all new individual accounts opened on or after April 1, 2017 with CERSAI in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

The Company shall maintain confidentiality of information as provided in Section 45NB of RBI Act 1934.

Where the customer already has a Central KYC (CKYC) 14 digit acknowledgement number, his / her documents need not be obtained again. Documents relating to identification and address can simply be downloaded from the CKYC website <https://testbed.ckycindia.in/ckyc/index.html>. However, loan agreements and finance related documents will still need to be signed/ provided by the customer.

Details / documents collected by the Company also need to be uploaded into the CKYC website before commencement of the relationship.

Record of transactions

- (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.

Information to be preserved

FFPL 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;

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- iv. the parties to the transaction.

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 FFPL.
- ii. records of the identity of all clients of FFPL is required to be maintained for a period of ten years from the date of cessation of transactions between the clients and FFPL. FFPL 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.

Appointment of Principal Officer

FFPL 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 and any other institution which are involved in the fight against money laundering and combating financing of terrorism.

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 (FIU-IND) 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 FFPL shall maintain strict confidentiality of the fact of furnishing/ reporting details of suspicious transactions.

Introduction of new technologies

FFPL shall pay special attention to any money laundering threats that may arise from new or developing

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technologies including online transactions that may favour anonymity, and take measures, if needed, to prevent their use in money laundering. FFPL 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.

Closure of Accounts/Termination of Financing/Business Relationship

Where FFPL is unable to apply appropriate KYC measures due to non-furnishing of information and/or non-operation by the customer, FFPL 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.

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.

Updation in KYC Policy of Company

After due approval from the Board of Directors of FFPL 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 I

CUSTOMER IDENTIFICATION REQUIREMENTS (INDICATIVE GUIDELINES)

Trust/Nominee or Fiduciary Accounts:

1. There exists the possibility that trust / nominee or fiduciary accounts can be used to circumvent the Customer Identification Procedure.
2. The Company shall determine whether the Customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, the Company may insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place.
3. While conducting a transaction with a trust, the Company 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.

The identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate

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effective control over the trust through a chain of control or ownership.

Accounts of companies and firms:

1. The Company shall be vigilant against business entities being used by individuals as a 'front' for conducting transactions with the Company.
2. The Company 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.

Client accounts opened by professional intermediaries:

- 1) When the Company has knowledge or reason to believe that the customer account opened by a professional intermediary is on behalf of a single customer, that the customer must be identified.
- 2) The Company may hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. However, the Company shall not open accounts of such professional intermediaries, viz., lawyers/chartered accountants or stockbrokers, who are bound by any customer confidentiality that prohibits disclosure of the customer details to the Company.
- 3) Where funds held by the intermediaries are not co-mingled at the Company and there are 'sub-accounts', each of them attributable to a beneficial owner, all the beneficial owners must be identified. Where such funds are co-mingled, the Company shall still look through to the beneficial owners.
- 4) Where the Company rely on the CDD done by an intermediary, they should satisfy themselves that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements for the customers.

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Annexure II

Customer Identification Procedure Features to be verified and Documents that may be obtained from Customers

PRE SANCTION CHECKLIST		Business Loan			Personal Loan
Particulars	Proprietorship	Partnership	Private Limited	Salaried / Business	
KYC Document	Business registration	GST - All 3 Pages/Udyog Aadhar/ MSME certificate	GST - All 3 Pages/Udyog Aadhar/ MSME certificate	GST - All 3 Pages/Udyog Aadhar/ MSME certificate	-
	Email ID and Contact Number	Email ID and Contact Number	Email ID and Contact Number	Email ID and Contact Number	Email ID and Contact Number
	Recent Photograph	Recent Photo of all parties to contract	Recent Photo of all parties to contract	Recent Photo of all parties to contract	Recent Photo of all parties to contract
	Business KYC	---	Entity PAN	Director's PAN	-
	Individual POI (Self attested)	PAN card of Proprietor	Partner's PAN	Company PAN	PAN
	Individual POA (Self attested)	Aadhar (Front and Back)	Partner's Aadhar (Front and Back)	Director's Aadhar (Front and Back)	Aadhar
	Business constitution documents	-	Partnership Deed	Certificate of Incorporation	-
		-	-	Memorandum of Incorporation (MOA) and Article of Association (AOA)	-
		-	-	Shareholding Pattern	-
Sanction Letters of all obligations	Sanction Letters of all obligations	Sanction Letters of all obligations	Sanction Letters of all obligations	Sanction Letters of all obligations	Sanction Letters of all obligations
	LEI number	LEI number	LEI number	LEI number	-
	Authority Letter	-	Partnership Authority Letter	Board Resolution	-
Bank Statement		Bank statement for latest 12 months which includes major business transactions	Bank statement for latest 12 months which includes major business transactions	Bank statement for latest 12 months which includes major business transactions	Bank statement for latest 12 months which includes major transactions
Financial statements		Audited Financial statements of recent 3 years with annexures and audit report 3 Yrs ITR & Computation	Audited Financial statements of recent 3 years with annexures and audit report 3 Yrs ITR & Computation	Audited Financial statements of recent 3 years with annexures and audit report 3 Yrs ITR & Computation	3 Yrs ITR & Computation
GST	Current FY GST returns till date	Current FY GST returns till date	Current FY GST returns till date	Current FY GST returns till date	-
Ownership	Ownership	Ownership Proof	Ownership Proof	Ownership Proof	Ownership Proof
	Collateral Document	Collateral Document	Collateral Document	Collateral Document	Collateral Document
In case of LAS	For unlisted shares	NA	NA	Merchant Bankers report	Merchant Bankers report
		NA	NA	CA certified Latest shareholding	CA certified Latest shareholding
		NA	NA	Net Worth Certificate	Net Worth Certificate
		NA	NA	Personal Guarantee	Personal Guarantee
		NA	NA	Pledge agreement	Pledge agreement
	For listed shares	NA	NA	CA certified Latest shareholding	CA certified Latest shareholding
		NA	NA	Client Master	Client Master
		NA	NA	Net Worth Certificate	Net Worth Certificate
		NA	NA	Personal Guarantee	Personal Guarantee
		NA	NA	Pledge agreement	Pledge agreement

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