

**KIYANSH FINANCE PRIVATE LIMITED**

**KNOW YOUR CUSTOMER  
AND  
ANTI-MONEY LAUNDERING POLICY**

Version No: 1.0

## KIYANSH FIANCE PRIVATE LIMITED

(“KFPL” or the “Company”)

### KNOW YOUR CUSTOMER

AND

### ANTI-MONEY LAUNDERING POLICY

The Reserve Bank of India (RBI) has been regularly issuing guidelines regarding standards for Know Your Customer (KYC) to be followed by NBFCs (Non-Banking Financial Company) and also the steps to be taken on Anti Money Laundering (AML)/ Combating Financing of Terrorism (CFT). NBFCs need to necessarily put in place a comprehensive policy framework, approved by the Board of Directors or such authority authorized by Board of Directors. This policy document has been prepared in line with the RBI guidelines on “Master Circular – 'Know Your Customer' (KYC) Guidelines – Anti Money Laundering Standards (AML) - 'Prevention of Money Laundering Act, 2002 - Obligations of NBFCs in terms of Rules notified thereunder” vide DNBR (PD) CC No. 051/03.10.119/2015-16. The policy shall also be updated time to time as and when there are appropriate changes from the RBI.

#### 1. Objective

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 processes will also enable KFPL to better understand its borrowers and their financial dealings. This would in turn be helpful for KFPL to prudently manage the risks associated with lending to a borrower.

#### 2. General Guidelines

All information collected from the customer for the purpose of opening of account shall be kept as confidential and any details thereof shall not be divulged for cross selling or any other purposes. KFPL will also ensure that information sought from the customer is relevant to the perceived risk, is not intrusive, and is in conformity with the guidelines issued in this regard. Any other information from the customer shall be sought separately with his /her consent and after opening the account.

#### 3. Definitions

- a. **Customer** – For the purpose of KYC Norms, a ‘Customer’ is defined as a person who is engaged in a financial transaction or activity with a reporting entity and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
- b. **Designated Director** – It means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules. It shall include:
  - i. The Managing Director or a whole-time Director duly authorized by the Board of Directors if the reporting entity is a company;
  - ii. The Managing Partner if the reporting entity is a partnership firm;
  - iii. The Proprietor if the reporting entity is a proprietorship concern
  - iv. The Managing Trustee if the reporting entity is a trust
  - v. A person or an individual, as the case may be, who controls and manages the affairs of the reporting entity, if the reporting entity is an unincorporated association or a body of individuals, and
  - vi. such other person or class of persons as may be notified by the Government and/ or the RBI from time to time if the reporting entity does not fall in any of the categories above
  - vii. Also, it is clarified that the Principal Officer is not the “Designated Director”

- c. **Principal Officer** – KFPL has appointed Mr. Anil Kumar, as Principal Officer (PO). PO is reporting directly to the Board of Directors. The PO is responsible for ensuring compliance, monitoring transactions, and sharing and Reporting information as required under the law/regulations. The name, designation and address of the Principal Officer has been communicated to the FIU-IND
- d. **Officially valid document (OVD)** - OVD means the passport, the driving license, the Permanent Account Number (PAN) Card, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government, letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number, or any other document as notified by the Central Government in consultation with the Regulator.
- e. **Person** - In terms of PML Act a 'person' includes:
  - i. An individual
  - ii. A Hindu undivided family
  - iii. A company
  - iv. A firm
  - v. An association of persons or a body of individuals, whether incorporated or not
  - vi. Every artificial juridical person, not falling within any one of the above persons (i to v), and
  - vii. Any agency, office or branch owned or controlled by any of the above persons (i to vi)
- f. **Transaction** - "Transaction" means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and include:
  - i. opening of an account
  - ii. deposits, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means
  - iii. the use of a safety deposit box or any other form of safe deposit
  - iv. entering into any fiduciary relationship
  - v. any payment made or received in whole or in part of any contractual or other legal obligation; or
  - vi. establishing or creating a legal person or legal arrangement.

#### 4. KYC Policy

As directed by RBI, KFPL has framed its KYC policy based on the following 5 pillars:

- a. **Customer Acceptance Policy (CAP)**: KFPL is focused on onboarding/ accepting only those borrowers after the proposal of the proposed borrower has passed the Underwriting Guidelines through the due-diligence process and has been approved as a credit worthy borrower by the Credit Committee. Borrowers need to submit their intent to borrow in a KFPL Application Form that will capture all the relevant data for all categories of borrowers. Along with the application form, the prospective borrower also need to provide supporting documents as given in the form as a part of customer identification process / KYC.

KFPL will ensure the following as part of its CAP:

- i. No account/ lending shall be opened/ made in anonymous or fictitious/benami name
- ii. All borrowers shall be categorized the customers into low, medium and high-risk ones based on the information provided by them in terms of the nature of business activity, location of the customer and its clients, mode of payments, volume of turnover, social and financial status etc.
- iii. Periodic collection of documents and other information from different categories of borrowers depending on perceived risk and the requirements of PML Act, 2002 and instructions/guidelines issued by Reserve Bank from time to time
- iv. KFPL is very clear that it will not work with any prospective borrower where the Company is unable to apply appropriate customer due diligence measures, i.e., KFPL is unable to verify the identity and /or obtain required documents either due to non-cooperation of the prospective borrower or non-reliability of the documents/information furnished by the prospective borrower. The bank/FI may also consider closing an existing account/ lending relationship under similar circumstances.
- v. KFPL shall conduct necessary checks with the watch list of the RBI and other watch lists before accepting a new Customer so as 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.

KFPL's commits to maintain a balance between complying with the KYC norms of RBI as well as its mission of supporting impactful businesses in a manner that it will not result in denial of banking facility to members of the general public, especially those, who are financially or socially disadvantaged.

- b. **Customer Identification Procedures (CIP):** Customer identification means undertaking client due diligence measures while commencing an account-based relationship including identifying and verifying the customer and the beneficial owner on the basis of one of the OVDs. KFPL will obtain sufficient information to establish, to its satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of the banking relationship. KFPL shall follow prudent practices as part of 'Being Satisfied' which shall be to the satisfaction of 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 the banks/FIs and a burdensome regime for the customers. The CIP of KFPL is approved by the Board. For prospective borrowers KFPL shall undertake to collect the information as enumerated in Annexure – II.
- c. **Monitoring of Transactions:** KFPL considers monitoring a very critical component of its overall operations. Critically, it is an ongoing element of an effective KYC/AML procedures. KFPL will exercise ongoing due diligence with respect to every customer and closely examine the transactions to ensure that they are consistent with the customer's profile and source of funds as per extant instructions. It is but reasonable that the extent of monitoring will depend on the risk category of the account. High risk accounts shall be subjected to more intensified monitoring. KFPL will pay particular attention to the following types of transactions:
- i. Large and complex transactions, and those with unusual patterns, which have no apparent economic rationale or legitimate purpose.
  - ii. Transactions which exceed the thresholds prescribed for specific categories of accounts.
  - iii. Transactions involving large amounts of cash inconsistent with the normal and expected activity of the customer.
  - iv. High account turnover inconsistent with the size of the balance maintained.

KFPL has put in place a system of periodical review of risk categorization of accounts and with constant revision of the diligence measures. Such review of risk categorization of prospective borrowers is carried out on an annual basis.

- d. **Reporting of Transaction:** KFPL does not accept public deposits of any kind and given the nature and size of transaction, the internal policies of KFPL have no provision to permit cash transactions of any kind (except in payment of administrative expenses of nominal amount). However, in case any such transaction is observed in future, the processes shall have a system of internal reporting of Suspicious Transactions and cash transactions. Such an observed transaction could comprise of a single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within a month.

Further, the Principal Officer shall furnish information of the above-mentioned transactions to the Director, Financial Intelligence Unit – India (FIU-IND) at the prescribed address in the formats prescribed in this regard including the electronic filing of reports. In cases where the PO, has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued Rs. 2 lakh (Rupees Two Lakh) so as to defeat the provisions of the PMLA regulations, such officer shall furnish information in respect of such transactions to the Director within the prescribed time.

- e. **Risk Management:** KFPL will exercise on going due diligence with respect to the business relationship with every customer and closely examine the transactions in order to ensure that they are consistent with its knowledge about the clients, their business and risk profile and where necessary, the source of funds.

- i. KFPL has prepared a profile for each new borrower based on risk categorization. The borrower profile shall contain information relating to borrower's identity, social/financial status, nature of business activity, information about the borrowers' business and their location etc. The nature and extent of due diligence will depend on the risk perceived by KFPL.
- ii. The perceived risks are classified as:
  1. Low Risk: Individuals (other than High Net Worth) and entities, whose identity and source of income, can be easily identified, and customers in whose accounts the transactions conform to the known profile, may be categorized as low risk.
  2. Medium or high risk: Those involved in cash intensive business, Politically Exposed Persons (PEPs) of foreign origin
- iii. Process of managing risk:
  1. Role of Borrower Relationship Manager (BRM): She/ He shall be responsible for collecting periodic data/documents and other relevant information from prospective (and existing) borrowers from time to time. Based on the receipt of such information, credit risk profiles of borrowers shall be drawn (or shall evolve in case of existing borrowers).
  2. Role of Principal Officer: She/ he shall prepare periodic reports whilst assessing the perceived risk on existing and prospective clients. These reports shall be then presented to a board appointed "risk management committee (RMC)". It is the responsibility of the PO to bring to light the changing landscape of portfolio risk to the RMC and seek their timely guidance and intervention.
  3. Role of Risk Management Committee (RMC): RMC shall meet every 6 months or as recommended periodically by the PO for a meeting and shall discuss the findings of PO from the periodic reports. RMC shall then appropriately guide the PO and the management team to take necessary action in case concerns are observed in high-risk cases.

## 5. General guidelines

- a. **Confidentiality of customer information:** Information collected from customers for the purpose of initiating a lending relationship is treated as confidential and details thereof are not divulged for the purpose of cross selling, etc. Information sought from the customer are relevant to the perceived risk and are non-intrusive. Any other information that is sought from the customer is called for separately only after the account has been opened/ lending relationship begun, with his/her express consent and in a different form, distinctly separate from the application form. It is indicated clearly to the customer that providing such information is optional unless as agreed under the loan agreement as part of mandator information requests.
- b. **Avoiding hardship to customers:** KFPL employees keep in mind the spirit of the instructions issued by the Reserve Bank so as to avoid undue hardships to individuals who are otherwise classified as low risk customers.
- c. **Sensitizing customers:** Implementation of AML/CFT policy may require certain information from customers of a personal nature or which had not been called for earlier. KFPL shall ensure that the customer is educated regarding the objectives of the AML/CFT requirements for which their cooperation is solicited.
- d. **Hiring of Employees:** Adequate screening mechanism is put in place by KFPL as part of their personnel recruitment/hiring process to ensure that criminals are not allowed to misuse the banking channels.
- e. **Employee training:** KFPL has not only made AML/CFT policy as part of its induction program for all new employees but also has an ongoing/ periodic employee training program so that the members of staff are adequately trained in AML/CFT policy. The focus of the training is different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff is specially trained to handle issues arising from lack of customer education. It is ensured that proper staffing of the audit function with persons adequately trained and well-versed in AML/CFT policies of the NBFC, regulation and related issues.
- f. **Appointment of Principal Officer and Designated Director:**

Mr. Anil Kumar, shall be designated as Principal Officer for the purpose of compliance with the rules and regulations of this policy. The Principal Officer can be contacted at the following address:

Attn: Mr. Anil Kumar  
Kiyansh Finance Private Limited.  
No. 111, First Floor, Shankalp Business Bay  
Magadi Road, Bangalore – 560023  
PH: +91 6304185914

Mr. Sreepal Jain, Managing Director shall be nominated as Designated Director to ensure compliance with the obligations under the Prevention of Money Laundering (Amendment) Act, 2012.

**g. Records Retention:**

**i. Transactions for which records need to be maintained:**

1. All cash transactions of the value of more than INR 10,00,000 (Rupees Ten Lakh) or its equivalent in foreign currency;
2. Series of all cash transactions individually valued below INR 10,00,000 (Rupees Ten Lakh), or its equivalent in foreign currency which have taken place within a month and the monthly aggregate which exceeds rupees ten lakhs or its equivalent in foreign currency. It is clarified that for determining 'integrally connected transactions' 'all accounts of the same customer' should be taken into account.
3. 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 facilitating the transactions;
4. 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.

**ii. Preservation of records:**

1. KFPL shall maintain for at least 5 (five) years from the date of transaction between the NBFC and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved, if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.
2. KFPL ensures that records pertaining to the identification of the borrowers and their address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card, utility bills, etc.) obtained while opening the account/ beginning of the lending relationship and during the course of business relationship, are properly preserved for at least 5 (five) years after the business relationship is ended. The identification of records and transaction data will be made available to the competent authorities upon request.
3. KFPL pays special attention to all complex, unusual large transactions and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. KFPL further assures that the background including all documents/office records/memorandums pertaining to such transactions are examined and the findings at Principal Officer level are properly recorded. Such records and related documents are made available to help auditors to scrutinize the transactions and also to Reserve Bank/other relevant authorities. These records are preserved for 5 (five) years as is required under PMLA, 2002.

## **Customer Identification Requirements**

### **Transactions with Trust/Nominee or Fiduciary**

There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. In such cases, KFPL tries to determine whether the borrower is acting on behalf of another person as trustee/nominee or any other intermediary. If so, KFPL insists on 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. The different categories of beneficiaries are identified as defined above. In the case of a 'foundation', steps are taken to verify the founder managers/ directors and the beneficiaries, if defined.

### **Transactions with Companies and Firms**

KFPL remains vigilant against business entities being used by individuals as a 'front' for maintaining accounts/ borrowing relationship with KFPL. KFPL 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.

### **Transactions with 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/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. KFPL will gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on such person in the public domain. KFPL 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 a PEP shall be taken at a senior level which shall be clearly spelt out in KFPL's Customer Acceptance Policy. KFPL shall also subject such accounts to enhanced monitoring on an on-going basis. The above norms shall also be applied to the accounts of the family members or close relatives of PEPs.

## ANNEXURE II

### Customer Identification Procedure

Individual Customers are identified and verified based on “officially valid documents” as defined in Clause 2 (d) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2013 as amended from time to time. “Officially valid document” means the passport, the driving license, the Permanent Account Number (PAN) Card, the Voter’s Identity Card issued by Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government, the letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number or any other document notified by the Central Government in consultation with the regulator.

### Documents that may be obtained from Customers

Type of Customer	Type of Document
<b>For Individuals</b> <b>(for proof of identity – PAN being mandatory and address – Any one of the mentioned documents)</b>	<ol style="list-style-type: none"><li>1. Passport</li><li>2. PAN card</li><li>3. Voter’s Identity Card</li><li>4. Driving license</li><li>5. Letter issued by the Unique Identification Authority of India containing details of name, address and Aadhar number.</li><li>6. Identity card (subject to the KFPL’s satisfaction)</li><li>7. Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of bank</li><li>8. Telephone bill</li><li>9. Bank account statement</li><li>10. Letter from any recognized public authority</li><li>11. Electricity bill</li><li>12. Ration card</li><li>13. Letter from employer (subject to satisfaction of the bank /NBFC)</li><li>14. (any one document which provides customer information to the satisfaction of the bank/NBFC will suffice)</li><li>15. Letter issued by Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number</li><li>16. ID card issued by any central/state govt.</li></ol>
<b>For companies</b> <b>Information required:</b> <b>- Name of the company</b> <b>- Principal place of business</b>	<p>In case of Companies:</p> <ol style="list-style-type: none"><li>1. Certificate of incorporation</li><li>2. Memorandum &amp; Articles of Association</li><li>3. Resolution of the Board of Directors and/or power of attorney granted to its managers, officers or employees to transact on its behalf.</li><li>4. Copy of PAN allotment letter/ PAN Card</li><li>5. List of Directors</li><li>6. Latest Shareholding structure</li><li>7. Power of Attorney granted to its managers, officers or employees to transact business on its behalf</li><li>8. Copy of the telephone bill (landline) of the principal place of business</li><li>9. GST Certificate (Final/Provisional)</li></ol> <p>In case of NBFC:</p> <ol style="list-style-type: none"><li>1. Certificate of incorporation registration issued by RBI; or</li><li>2. A copy of the letter issued by the Regional Director, in case the NBFC is a Section 8 Company</li></ol>



<b>For trusts &amp; foundations</b> <b>Information required:</b> - Names of trustees, settlers, beneficiaries and signatories - Names and addresses of the founder, the managers/directors and the beneficiaries	1. Certificate of registration, if registered 2. Power of Attorney granted to transact business on its behalf 3. Any officially valid document to identify the trustees, settlors, beneficiaries and those holding Power of Attorney, founders/managers/ directors and their addresses 4. Resolution of the managing body of the foundation/association 5. Trust Deed
<b>For Partnership firms/LLP Information required:</b> - Names and address of the founders - Name of the LLP and principal place of business	1. Certificate of registration 2. Registered partnership deed 3. PAN of the firm /LLP 4. Incorporation certificate of LLP 5. Any officially valid document to identify the partners/designated partners. 6. GST certificate 7. Landline bill of the principal place of the business.