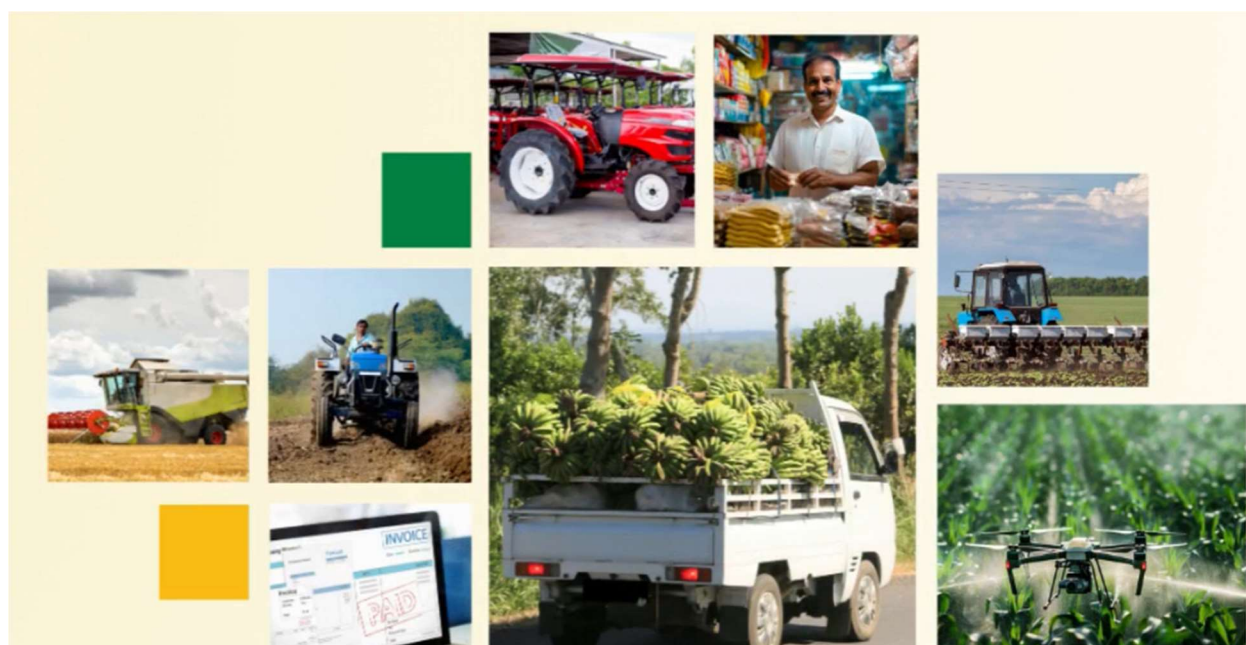




IFFCO Kisan Finance Limited

Know Your Customer and Anti-Money Laundering Policy (“KYC & AML Policy”)

(Version 3.0)



Document owner and Version Control

Particulars	Details
Version Control	This KYC & AML Policy dated May 26, 2025 is the 3 rd version.
Version No	Version 3.0
Document owner (s)	Compliance Department

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1. Introduction

IFFCO Kisan Finance Limited (**“the Company/IKFL”**) is operating as a Non-Banking Financial Company - Investment and Credit Company (NBFC - ICC) classified under the Middle Layer as per the RBI (Non-Banking Financial Company– Scale Based Regulation) Directions, 2023 (as amended) (**“Scale Based Regulations”**). The Reserve Bank of India (**“RBI”**) vide its Notification RBI/DBR/2015-16/18 Master Direction DBR. AML. BC. No. 81/14.01.001/2015-16 dated February 25, 2016, notified Master Direction - Know Your Customer (KYC) Direction, 2016 (as amended) (**“Directions”**). In compliance with the Directions, the Board is required to adopt a policy on the Know Your Customer (KYC) and Anti Money Laundering (AML) Standards. Accordingly, the Board has adopted this Policy on KYC & AML (**“Policy”**) for setting up standard KYC documentation across IKFL and establish governing principles, broad guidelines, and standards to be adopted by the Company in order to protect itself from being used by any person to launder money.

This KYC & AML Policy is applicable to all the businesses undertaken by the Company and shall be applicable for all new and existing customers of IKFL. This Policy has become effective from the date of its first approval by the Board and any subsequent amendments shall become effective from the date of approval of such amendment by the Board of Directors. All employees of the Company are responsible for ensuring the effective implementation of this Policy.

2. Objective

This Policy has been divided into two broad sections – Know Your Customer guidelines and Anti Money Laundering norms. The objective of the Policy is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering and financial terrorism activities and to educate the employees about the applicability of regulatory guidelines and the responsibilities to be performed by them to enable them to know/understand the customers and their financial dealings better, which in turn shall help in managing the risks prudently.

The major objectives of this policy are:

- a) To lay standard operating procedures on KYC norms and AML requirements.
- b) To ensure all necessary Customer Identification Procedures (“CIP”) / Customer Due Diligence (“CDD”)/ Enhanced Due Diligence (“EDD”) measures are followed.
- c) To protect the Company from being used intentionally or unintentionally by criminal elements for money laundering/ fraudulent/anti-social activities.
- d) To enable the Company to know/understand their customers and their financial dealings better which, in turn, would help in managing the risks prudently.
- e) To take appropriate action, once suspicious activities is detected, and make reports to designated authorities in accordance with applicable law / laid down procedures.
- f) To comply with applicable laws as well as norms adopted internationally with reference to Money Laundering.

3. Key Elements of the Policy

The KYC Policy includes the following four key elements.

- a) Customer Acceptance Policy.
- b) Risk Management.
- c) Customer Identification Procedures (CIP); and
- d) Monitoring of Transactions.

4. Compliance of KYC Policy

The Company shall ensure compliance with the KYC & AML policy through:

- a) Senior Management Team for the purpose of KYC compliance as mentioned below.

- b) Independent evaluation of compliance to the KYC & AML policy.
- c) Concurrent/internal audit system to verify compliance with KYC & AML Policy and procedures.
- d) Submission of quarterly audit notes and compliance to the Audit Committee.

At IKFL, “**Senior Management Team**” comprises of the Managing Director, Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Chief Compliance Officer, National Sales Manager, National Operation Head, National Credit Head, Head of Audit and such other officials that the MD/CEO may determine from time to time depending upon their functional roles and responsibilities.

The Company shall ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

5. Definition

The terms used and not defined in this Policy shall have the same meaning as assigned to them in the Reserve Bank of India (Know Your Customer (KYC)) Directions, 2016, as amended from time to time. Some of the important definitions are given below.

- a) “**Aadhaar number**” shall have the meaning assigned to it in clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016).
- b) “**Act**” and “**Rules**” means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto.
- c) “**Certified Copy**” - Obtaining a certified copy by the Company shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid document so produced by the customer with the original and recording the same on the copy by the authorized officer of the Company as per the provisions contained in the Act.

d) “Central KYC Records Registry” (CKYCR) means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

e) “Beneficial Owner (“BO”)” –

- a. Where the customer is a Company, the BO would be the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has/have a controlling ownership interest or who exercise control through other means.

Explanation 1: “Controlling ownership interest” means ownership of/entitlement to more than 10 percent of the shares or capital or profits of the Company.

Explanation 2: “Control” shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

- b. Where the customer is a partnership firm, the BO is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 10 percent of capital or profits of the partnership.

- c. Where the customer is an unincorporated association or body of individuals, the BO is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 percent of the property or capital or profits of the unincorporated association or body of individuals.

Explanation: Term ‘body of individuals’ includes societies. Where no natural person is identified in any of the above non-individual entities, the BO is the relevant natural person who holds the position of senior managing official.

- d. Where the customer is a Trust, the identification of BO shall include identification of the author of the trust, the trustee, the beneficiaries with 10 percent 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.
- f) **“Digital KYC”** means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorized officer of the Company as per the provisions contained in the Act.
- g) **“Digital Signature”** shall have the same meaning as assigned to it in clause (p) of sub-section (1) of section (2) of the Information Technology Act, 2000 (21 of 2000).
- h) **“Equivalent e-document”** means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.
- i) **“Know Your Client (KYC) Identifier”** means the unique number or code assigned to a customer by the Central KYC Records Registry.
- j) **“Officially Valid Document”** (OVD) means the passport, the driving licence, proof of possession of Aadhaar number, 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 and letter issued by the National Population Register containing details of name and address. Provided that,
- i. where the customer submits his proof of possession of Aadhaar number

as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.

- ii. where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVDs for the limited purpose of proof of address.
 - a) Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill).
 - b) Property or Municipal tax receipt.
 - c) Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address.
 - d) Letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation.
- iii. The customer shall submit the OVD with the current address within a period of three months of submitting the documents specified at 'ii' above.
- iv. Where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

Explanation: For the purpose of this clause, a document shall be deemed

to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.

- k) “Principal Officer”** means an officer at the management level nominated by the Company, responsible for furnishing information as per rule 8 of the Rules.
- l) “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. The Co-Borrower and Guarantor shall also be considered as Customer.
- m) “Politically Exposed Persons (PEPs)”**: are individuals who are or have been entrusted with prominent public functions by a foreign country including the Heads of States/ Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations, important political party officials.

6. Customer Acceptance Policy

While taking decision to grant any facilities to the Customers as well as during the continuation of any facilities, the following Customer Acceptance Policy (CAP) norms and procedures will be followed by the Company.

- a)** No customer is on boarded in anonymous or fictitious/benami name.
- b)** No customer is on boarded where the Company is unable to apply appropriate Customer Due Diligence (CDD) measures as defined as in Para 9 of this policy, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer. Such instances shall be considered for filing an STR (as define in the Para 17 (d)), if necessary, when relevant CDD measures pertaining to the customer could not be complied with.

- c)** The mandatory information to be sought for KYC purpose while opening an account and during periodic updation is specified.
- d)** If additional information is obtained with the explicit consent of the customer for other than that listed in the Annexure to this Policy.
- e)** A Unique Customer Identification Code (UCIC) shall be allotted while entering into new relationships with customers as also the existing customers. CDD Procedure is followed at UCIC level for all the customers including borrowers, co-borrowers, guarantors, beneficial owners. If an existing KYC compliant customer of the Company desires to avail another financial product of the Company, no fresh KYC needs to be done for such Customer subject to periodic updation as per para 12, provided such Customer is an existing Customer of IKFL as on the date of availing the fresh facility, viz. the previous loan facility is in force and subsisting. However, in such cases it must be ensured that all the KYC details of the customer are available in the respective Customer files and other necessary due diligence, wherever required, is carried out.
- f)** Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- g)** Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists.
- h)** Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- i)** Where an equivalent e-document is obtained from the customer, the Company shall verify the digital signature as per the provisions of the Information Technology Act, 2000.
- j)** Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.

Where, the Company forms a suspicion of money laundering or terrorist financing, and reasonably believes that performing the CDD process will tip-off the customer, it shall not pursue the CDD process, and instead file a suspicious transaction report ("STR") with FIU-IND.

7. Risk Management

Customers shall be categorised based on their KYC risk assessment and risk perception of IKFL. The Broad principles have been laid down in the Standard Operating Procedure (SOP) for KYC risk-categorisation of customers. The risk categorisation of a customer and the specific reasons for such categorisation shall be kept confidential and shall not be revealed to the customer to avoid tipping off the customer.

The Company may prepare a profile for each new customer based on their KYC risk categorization. The customer profile may contain information relating to the customer's identity, social/financial status, nature of business activity, information about his clients' business and their location, geographical risk covering customers as well as transactions, etc.

The nature and extent of due diligence will depend on the risk perceived by the Company. However, while preparing customer profile IKFL should take care to seek only such information from the customer which is relevant to the risk category and is not intrusive and is in conformity with the guidelines issued by the RBI in this regard. Any other information from the customer will be sought separately with his/her consent. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

The Company will classify its customers based on the below mentioned risk categories as defined by the RBI from time to time.

- A.** Low Risk.
- B.** Medium Risk.
- C.** High Risk.

8. Customer Identification Procedure (CIP)

Customer identification means undertaking CDD (Customer Due Diligence i.e. identifying and verifying the customer and the beneficial owner).

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 relationship. IKFL shall observe due diligence 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.

Customer identification involves identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information and will be performed in the following scenarios.

- a) While establishing a business relationship.
- b) Carrying out a financial transaction or when the Company has a doubt about the
- c) authenticity/veracity or the adequacy of the previously obtained customer identification data.
- d) Selling third party products as agents, selling their own products and any other product for more than rupees fifty thousand.
- e) Carrying out transactions for a non-account-based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
- f) When Company has reason to believe that a customer (account- based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold to avoid reporting.

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 conditions specified in RBI Directions.

9. Customer Due Diligence (CDD)

Customer Due Diligence (CDD) means identifying and verifying the customer and the beneficial owner using reliable and independent sources of identification. CDD process is applicable for selling of the Company's products as well as while selling any third-party product as an Agent.

CDD also involves the identification and verification of customer information, forming the initial stage of KYC processes. This foundational step includes collecting key personal details such as name and address, which must be verified using reliable and independent sources. CDD is not a one-time affair; it requires continuous updating to maintain an accurate understanding of the customer profile, including ownership, nature of business, and the reasons for entering into the business relationship. Further, it involves identifying associated parties like beneficial owners, partners, key management personnel (KMP), and directors. Screening processes such as media checks and sanctions list reviews are essential for risk assessment, which includes risk categorization and determining the appropriate level of CDD.

Type of documents

Documents to be collected from the applicant / co-applicant / guarantor / any other party to the loan are as follows:

KYC and other documents

- a)** Application form with recent photograph/ official stamp in case of legal entity.
- b)** Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income Tax Rules, 1962.
- c)** Officially Valid Document ("OVD").
- d)** Signature verification (Individual).
- e)** Any other document as specified / defined in the Product Program for various individual/ non- individual entities from time to time and approved by the Credit Committee.

Entity specific documents for Proprietor / Partnership / HUF/ Club/Trust / Societies / Unincorporated association or a body of individuals/ Limited Companies are:

- a) Proof of legal existence.
- b) Proof of operating address.
- c) Proof of registered address if different than operating address.
- d) Signature verification of the authorised signatory of the entity.

Sharing KYC information with Central KYC Records Registry (CKYCR)

The Company shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account based relationship with the customer in line with the Operational Guidelines issued by CERSAI. IKFL shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, for 'Individuals' (accounts opened after April 1, 2017) and 'Legal Entities' (LEs) (April 1, 2021), as per the KYC templates.

Once KYC Identifier is generated by CKYCR, IKFL shall ensure that the same is communicated to the individual/ legal entity. In order to ensure that all KYC records are incrementally uploaded on to CKYCR, IKFL shall upload/ update the KYC data pertaining to accounts of individual customers and legal entities opened prior to the above-mentioned dates at the time of periodic updation, or earlier, when the updated KYC information is obtained/received from the customer. IKFL shall ensure that during periodic updation, the customers are migrated to the current CDD standard.

Where a customer submits KYC Identifier, with an explicit consent to download records from CKYCR, IKFL shall retrieve the KYC records online from the CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless –

- i. there is a change in the information of the customer as existing in the records of CKYCR.
- ii. the current address of the customer is required to be verified.

- iii. IKFL considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.
- iv. the validity period of documents downloaded from CKYCR has lapsed.

Refer **Annexure** for the list of documents and manner of verification.

10. Enhanced Due Diligence (EDD)

Any additional due diligence measures undertaken over and above the standard level of due diligence is termed as Enhanced Due Diligence. EDD can be applied at the product level or customer type level where the suspicion of money laundering or terrorist financing is high. Some of the parameters which can be used for enhanced due diligence are:

- a) Customer location.
- b) Nature of business /occupation.
- c) Transactions in line with the business activity / occupation.
- d) Number and value of transaction.
- e) Public domain checks for adverse media news on customer.

11. Accounts of Politically Exposed Persons (PEPs)

The Company may establish a relationship with PEPs either as customers or as Beneficial Owners provided that apart from performing normal customer due diligence:

- a) Sufficient information including information about the sources of funds/ wealth, accounts of family members and close relatives is gathered on the PEP.
- b) The identity of the person shall have been verified before accepting the PEP as a customer.
- c) For any lending/ business relationship with PEP or with family members or close associates of PEP, formal approval from the National Credit Head – IKFL has to be obtained.
- d) All such accounts are subjected to enhanced monitoring on an on-going basis.

- e) In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, approval from National Credit Head - IKFL - will be obtained to continue the business relationship.
- f) All PEP accounts would be classified as 'High Risk' accounts and will be subject to enhanced monitoring on-going basis.

12. On-Going Due Diligence and Periodic updation of KYC

On-going Due Diligence

The Company shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile and the source of funds/ wealth.

Without prejudice to the generality of factors that call for close monitoring following types of transactions shall necessarily be monitored: (a) Large and complex transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose. (b) Transactions which exceed the thresholds prescribed for specific categories of accounts.

For ongoing due diligence, IKFL may consider adopting appropriate innovations including artificial intelligence and machine learning (AI & ML) technologies to support effective monitoring. The extent of monitoring shall be aligned with the risk category of the customer. High risk accounts have to be subjected to more intensified monitoring.

A system of periodic review of risk categorisation of accounts at least once in six months, and the need for applying enhanced due diligence measures shall be put in place. The Company shall ensure to provide acknowledgment with date of having performed KYC updation. The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.

Periodic updation of KYC

For the purpose of effective monitoring of KYC, the Company shall adopt a risk-based approach for periodic updation of KYC, ensuring that the information or data collected

under CDD is kept up-to-date and relevant, particularly where there is high-risk. Customers identified as high-risk customers would need to submit fresh set of KYC once in 2 year, while Medium Risk Customers would need to submit fresh set of KYC once in 8 years and Low Risk Customers once in 10 years.

i. Individual Customers:

a. No change in KYC information

In case of no change in the KYC information, a self-declaration from the customer in this regard shall be obtained through customer's email id registered with IKFL, customer's mobile number registered with IKFL, digital channels (such as mobile application of IKFL), letter etc.

b. Change in address

In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer's email-id registered with IKFL, customer's mobile number registered with IKFL, digital channels (such as mobile application of IKFL), letter etc., and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables or such other methods as may be deemed appropriate. Further, IKFL shall obtain a copy of OVD or deemed OVD or the equivalent e-documents thereof, for the purpose of proof of address, declared by the customer at the time of periodic updation.

ii. Customers other than individuals (non-individual entities):

a. No change in KYC information

In case of no change in the KYC information of the customer being a non-individual entity, a self-declaration in this regard shall be obtained from the non-individual entity through its email id registered with IKFL, digital channels (such as mobile application of IKFL), letter from an official authorized by the non-individual entity in this regard, board resolution etc. Further, IKFL shall ensure

during this process that Beneficial Ownership information available with IKFL is accurate and updated at the time of periodic updation.

b. Change in KYC information

In case of change in KYC information, IKFL shall undertake the KYC process equivalent to that applicable for onboarding a new non-individual customer.

13. Anti-Money Laundering – Introduction

- a) Money Laundering may be defined as cleansing of dirty money obtained from legitimate or illegitimate activities including drug trafficking, terrorism, organized crime, fraud, and many other crimes with the objective of hiding its source and rendering it in legally usable form. It is any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources. The process of money laundering involves creating a web of financial transactions to hide the origin of and true nature of these funds.
- b) The general assembly of United Nations adopted the political declaration and global programme of action in 1990 in its worldwide drive against money laundering and enjoined upon member states to adopt legislation and programme against laundering on a national level. India enacted the Prevention of Money Laundering Act, 2002. (**“Act”**)

c) Money Laundering in India

With the growing financial sector, India is vulnerable to money laundering activities. Some common sources of illegal proceeds in India are narcotics trafficking, illegal trade in gems, smuggling, corruption, and income tax evasion. Large portions of illegal proceeds are laundered through the alternative remittance system called “hawala”. Under this system, individuals transfer funds from one country to another or from one state to another, often without the actual movement of currency.

d) Prevention of Money Laundering Act, 2002

To combat money-laundering activities, the Government of India enacted the Prevention of Money Laundering Act, 2002 ('the Act') on January 17, 2003. The basic objective of the Act is three-fold, viz:

1. To prevent, combat and control money laundering.
2. To confiscate and seize the property obtained from the laundered money.
3. To deal with any other issue connected with money laundering in India.

14. Money Laundering Process

Money can be obtained illegally from various criminal activities like drug trafficking, terrorism, organized crime and fraud. As criminals attempt to conceal the true origin and ownership of the proceeds of their criminal activities and provide legitimate cover for their source of income, they usually follow three stages.

- a. **Placement** – Physically disposing of cash derived from illegal activity. One way to accomplish this is by placing criminal proceeds into traditional financial institutions or non-traditional financial institutions such as currency exchanges, casinos, or check-cashing services.

E.g.: A criminal having huge crime proceeds in form of cash can deposit this cash in bank accounts maintained with different banks, in the name of his relatives, friends and associates, in small amounts.

- b. **Layering** – Separating the proceeds of criminal activity from their source through the use of layers of financial transactions i.e., converting the proceeds of crime into another form and creating complex layers of financial transactions to hide the original source. These layers are designed to hamper the audit trail, disguise the origin of funds, and provide anonymity.
- c. **Integration** – Placing the laundered proceeds back into the economy in such a way that they re-enter the financial system as apparently legitimate funds. Integration

means the reinvestment of those funds in an apparently legitimate business so that no suspicion of its origins remains and to give the appearance of legitimizing the proceeds.

Section 3 of the Prevention of Money Laundering Act 2002 defines the process and offences constituting money laundering. It is a charging section, and it revolves around the term “Proceeds of Crime”. If it is established that the money involved is not proceeds of crime, the person cannot be prosecuted under the Act. The term “proceeds of crime” has been defined under Section 2(u) of the Act as follows:

“Proceeds of crime” means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property”. The said section broadly states that if a person is involved in the process of projecting proceeds of crime as untainted property, then he shall be guilty of money laundering, for indulging in the said process the following three elements/activities shall play a very important role:

- Possession or ownership of the proceeds of crime or property acquired from proceeds of crime, which is being reflected as untainted property.
- Transactions relating to proceeds of crime like converting its form.
- Concealment of the original transaction and/or creating ghost transactions for concealing actual transactions. E.g., Possessing Benami Property, Unexplained cash credits, unexplained expenditure, bogus or fictitious accounts, unexplained investments.

15. Appointment of Principal Officer and Designated Director

A. Designated Director

To ensure compliance with the obligations under the Act and Rules, the Company shall nominate a Director on their Boards as “designated Director”. The name,

designation and address of the Designated Director shall be communicated to the FIU-IND and the RBI.

B. Principal Officer

The Company shall appoint a senior management officer to be designated as Principal Officer. Principal Officer shall be located at the head/corporate office of the Company and shall be responsible for monitoring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations. He / She shall maintain close liaison with enforcement agencies, banks and any other institutions which are involved in the activities of controlling money laundering and Combating the Financing of Terrorism. The name, designation and address of the Principal Officer shall be communicated to the FIU-IND and the RBI.

16. Maintenance and Preservation of records of transactions

The Company shall continue the system of maintaining proper record of transactions as required under section 12 of the PMLA read with Rule 3 of the PML Rules.

IKFL shall take appropriate steps to evolve 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.

Periodicity for Retention of Records:

- i. Records of all transactions, including information relating to transactions, whether attempted or executed, the nature and value of which may be prescribed shall be maintained for a period of 5 years from the date of transaction between the Customer and the Company.
- ii. Record of documents evidencing identity of its Customers and Beneficial

Owners including identification data, account files, business correspondence and results of any analysis undertaken relating to its Customers shall be maintained for a period of five years after the business relationship between a Customer and the Company has ended or the account has been closed, whichever is later.

The Company will take appropriate steps to evolve 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.

In case any applicable regulation prescribes maintenance of these records for a period longer than mentioned above, the same shall be complied with.

17. Screening, Monitoring and Reporting to Financial Intelligence Unit-India

a) Screening

The Company shall leverage latest technological innovations and tools for effective implementation of name screening to meet the sanctions requirements.

b) Reporting of Transactions

The Act and the Rules have directed the Principal Officer to report all cash transactions, suspicious transactions and counterfeit transactions to the Financial Intelligence Unit (FIU-IND). The types of transactions to be reported and the manner of reporting shall be done as detailed hereunder.

c) Cash Transactions Reporting (“CTR”)

The Company as a matter of policy shall not accept cash or postal order from the customers above INR 1.99 Lakhs in aggregate on any particular day or in respect of a single transaction or in respect of transactions relating to one event or

occasion. All Cash transactions amounting to INR 4 Lakhs and above in a month by a single client would be monitored from an STR perspective.

The following types of transactions shall be reported to FIU-IND:

- a. All cash transactions of the value of INR10 Lakhs or more or its equivalent in foreign currency and above.
- b. 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.

d) Suspicious Transactions Reporting (“STR”)

A. Suspicious transaction means a transaction, including an attempted transaction, whether or not made in cash which, to a person acting in good faith.

1. Gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
2. Appears to be made in circumstances of unusual or unjustified complexity; or
3. Appears to have no economic rationale or bonafide purpose; or
4. Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

B. Suspicious transactions are financial transactions that one would have reasonable grounds to suspect are related to the commission of a money laundering offence, given normal business and industry practice and one’s knowledge of the client.

- C.** The Company shall develop and implement appropriate methods of monitoring so that during the period of association with the customer, suspicious customer activity can be detected, appropriate action can be taken, and reports can be made if called for by government/regulatory authorities in accordance with applicable law and laid down procedures.
- D.** An assessment of suspicion should be based on a reasonable evaluation of relevant factors, including the knowledge of the customer's business, financial history, background, and behaviour.
- E.** The Suspicious Transaction Report (STR) would be furnished within 7 working days of arriving at conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature.
- F.** The Company will try to ensure there is no undue delay in arriving at conclusion once a STR is received from branch/office. The Principal Officer will record reasons for treating any transaction or series of transaction suspicious in consultation with the Head of Credit and such other officials as may be deemed necessary.
- G.** The Principal Officer will be responsible for submission of CTR & STR to FIU-IND in formats prescribed by FIU-IND.
- H.** While reporting confidentiality of report would be maintained and reporting will only be done in electronic form. Robust software, throwing alerts when the transactions are inconsistent with risk categorization and updated profile of the customers shall be put in to use as a part of effective identification and reporting of suspicious transactions.
- I.** IKFL may not put any restriction on operations in the accounts where STR is reported but will ensure that there is no tipping off to the customer at any level. The Company will report all attempted transactions of customers reported in STRs; even though transactions are incomplete and are of any amount. IKFL shall keep the fact of furnishing of STR strictly confidential.

- J.** The Company will make STRs if they have reasonable ground to believe that the transaction involves proceeds of crime generally irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences in part B of Schedule of PMLA, 2002.
- K.** IKFL may consider filing an STR, if necessary, when it is unable to comply with the relevant CDD measures in relation to the customer either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.

18. Money Laundering and Terrorist Financing Risk Assessment

The Company shall carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise annually to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc.

The assessment process should consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. While preparing the internal risk assessment, IKFL shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with IKFL from time to time.

The risk assessment by IKFL shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of IKFL. Further, the periodicity of risk assessment exercise shall be determined by the Board of IKFL or any Committee of the Board to which power in this regard is delegated, in alignment with the outcome of the risk assessment exercise. However, it should be reviewed at least annually.

The outcome of the exercise shall be put up to the Board or any committee of the Board to which power in this regard has been delegated and should be available to competent authorities and self-regulating bodies.

The Company shall apply a Risk Based Approach (RBA) and implement a CDD programme, having regard to the ML/TF risks identified and the size of business, for mitigation and management of the identified risk and should have Board approved policies, controls and procedures in this regard. Further, IKFL shall monitor the implementation of the controls and enhance them if necessary.

Introduction of New Technologies

The Company shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products. Further, IKFL shall ensure:

- (a) to undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and
- (b) adoption of a risk-based approach to manage and mitigate the risks through appropriate EDD measures and transaction monitoring, etc.

19. Secrecy Obligations and Sharing of Information

- a) The Company shall maintain secrecy regarding the customer information which arises out of the contractual relationship between itself and customer.
- b) Information collected from customers for the purpose of giving loan or any other facility shall be treated as confidential and details thereof shall not be divulged for the purpose of cross-selling, or for any other purpose without the express permission of the customer.
- c) While considering the requests for data/information from Government and other

agencies, the Company shall satisfy itself that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in the transactions.

d) The exceptions to the said rule shall be as under:

1. Where disclosure is under compulsion of law.
2. Where there is a duty to the public to disclose.
3. The interest of IKFL requires disclosure and where the disclosure is made with the express or implied consent of the customer.

20. Hiring of Employees and Employee training

Hiring

KYC norms / AML standards have been prescribed to ensure that criminals are not allowed to misuse the financial channels. Therefore, IKFL shall put in place adequate screening mechanism as an integral part of its personnel recruitment / hiring process.

Training

IKFL shall have an ongoing employee training programme so that the members of the staff are adequately trained in KYC & AML Policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers.

The front desk staff needs to be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in KYC & AML Policy of the Company, regulation and related issues shall be ensured.

21. Review / Amendment (s)

The policy shall be reviewed by the Board on the recommendation of the Audit Committee at least once a year.

Regulatory changes: The Managing Director, Chief Executive Officer, Chief Financial Officer and Chief Compliance Officer shall have the authority to carry out changes in the KYC & AML Policy on account of regulatory developments. Such changes to the KYC & AML Policy shall be subsequently placed before the Audit Committee and Board of Directors.

Other changes: Any changes other than Regulatory changes shall be carried out with the recommendation of approval of the Board of Directors of the Company.

All extant & future master circulars/directions/guidelines/guidance notes issued by the RBI from time to time would be the directing force for the KYC & AML Policy of the Company and will super cede the contents of this KYC & AML Policy.

22. General Guidelines

- a. In case an existing customer is coming for a loan again, then in such cases valid address proof should be collected only if there is any change in the current address from the address mentioned at the time of the previous loan.
- b. For cases wherein the Director is empowered to execute all documents on behalf of the Customer through Board Resolution of the Customer, then such Board resolution should be signed by at least two directors.
- c. There are cases where there are mismatches in the names on the application form and the identity proof due to:
 1. Mistake occurred/committed by the issuing authority of the ID proof.
 2. Change of surname after marriage.
 3. Same individual having different name mentioned in application form and KYC documents submitted (usage of title).
 4. Elaboration of initials detailing applicant's first/ middle name & surname.

In such scenario the declaration for dual name should be obtained. The declaration should have proper affidavit.

Note – Above situations may be accepted subject to approval of the Credit Team.

- d. In case where customer has two different signatures on two different documents (as per the list given under signature proof doc) then in such case one of the signatures should match with the signature on application form. Also, an affidavit should be obtained.

Note:

This document remains the property of the Company. This policy is intended to guide the employees and the management on the KYC & AML management of the Company. It is not to be used for any other purposes, copied, distributed, or transmitted in any form or means without the prior written consent of the Company.

Annexure

List of Documents to be obtained as an Identity/ Legal Existence and Address Proof

Category	Identity / Legal Existence and Address Proof Documents
Individual/Beneficial owner/ Authorised signatory or the power of attorney holder related to any legal entity	<p>PAN or Form 60 (Mandatory)* and</p> <p>Copy of any of the below List of officially valid documents (OVDs):</p> <ul style="list-style-type: none">i) Voter IDii) Valid Passportiii) Driving licenseiv) Proof of possession of Aadhaar (with first eight digits masked / blacked out)v) Job card issued by NREGA vi) Letter issued by the National Population Registervi) Any other document as notified by the Central Government in consultation with the Regulator. <p>Note:</p> <ul style="list-style-type: none">1. The KYC Identifier can be obtained with an explicit consent to download records from CKYCR.2. For individual cases where current address is not updated in the above mentioned OVD submitted by client the following process to be adhered to: <p>The customer needs to submit any one of the following mentioned documents as proof of address at time of login. These cases will have to marked under PDD for submission of 'Updated OVD' for a period of three months from the date of disbursement.</p> <ul style="list-style-type: none">a. Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill).b. Property or Municipal tax receipt.c. Pension or family pension payment orders (PPO's) issues to retired employees by Government Departments or Public Sector undertakings, if they contains the address.

	<p>d. Letter of allotment of accommodation from employer issued by state government or central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation.</p> <p>e. Bank Passbook / Latest Bank Account Statement (First page showing complete address, in case of pass book pages showing latest transactions should also be taken on records)</p> <p>3. For the purpose of this clause, a document shall be deemed to be and OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State government or Gazette notification, indicating such change in name.</p>
Non-Individual Entity (Proprietor)	<p>i) Pan Card or Form 60* of the Proprietor (Mandatory).</p> <p>Copy of any of the below List of officially valid documents (OVDs) of the Proprietor:</p> <ul style="list-style-type: none"> i) Voter ID ii) Valid Passport iii) Driving license iv) Proof of possession of Aadhaar (with first eight digits masked / blacked out) v) Job card issued by NREGA vi) Letter issued by the National Population Register vi) Any other document as notified by the Central Government in consultation with the Regulator. <p>In addition to the above, any two of the following documents as a proof of business/ activity in the name of the proprietary firm shall also be collected:</p> <ul style="list-style-type: none"> (a) Registration certificate including Udyam Registration Certificate (URC) issued by the Government (b) Certificate/ License issued by the municipal authorities under Shop and Establishment Act.

	<p>(c) Sales and income tax returns.</p> <p>(d) (provisional/final). 23CST/VAT/ GST certificate</p> <p>(e) Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.</p> <p>(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.</p> <p>(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.</p> <p>(h) Utility bills such as electricity, water, and landline telephone bills. (Not older than 2 months).</p> <p>Where the Company is satisfied that it is not possible to furnish two such documents, the Company may, at their discretion, accept only one of those documents as proof of business/ activity.</p>
Non-Individual Entity (Partnership)	<p>(i) registration certificate;</p> <p>(ii) partnership deed;</p> <p>(iii) Permanent Account Number of the partnership firm</p> <p>(iv) one copy of officially valid document and Permanent Account Numbers or Form 60 as defined in the Income-tax Rules, 1962, issued to managers, officers or employees holding an attorney to transact on the company's behalf</p> <p>(v) Beneficial Ownership Declaration (On letter head of Company /Partnership/Trust/Body) along with the KYC documents of beneficial owners and managers, officers or employees, as the case may be, holding an attorney to transact on the firm's behalf</p> <p>(vi) The names of all the partners (Their PAN and one OVD)</p> <p>(vii) The address of the registered office and the principal place of business, if different, shall be provided along with additional proof as mentioned below.</p> <p><i>All the above-mentioned documents are mandatory.</i></p> <p>In addition to above any of the below document needs to be submitted as an office address proof:</p>

	<ul style="list-style-type: none"> i) Latest telephone bill (Not older than 2 months) ii) Electricity bill (Not older than 2 months) iii) Water bill (Not older than 2 months) iv) Municipality tax receipt / property tax receipt <p>Note:</p> <ul style="list-style-type: none"> 1. Certified True Copy here shall mean copy of document certified as true by at least two partners of the firm. 2. In case of firm having 3 partners and authorising more than 1 person as authorised signatory, it is strongly advised to ensure that at least one Partner certifying the resolution is a different person.
Non-Individual Entity (Company)	<ul style="list-style-type: none"> (i) Certificate of incorporation; (ii) Memorandum and Articles of Association; (iii) Permanent Account Number of the company (iv) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; (v) one copy of officially valid document and Permanent Account Numbers or Form 60 as defined in the Income-tax Rules, 1962, issued to managers, officers or employees holding an attorney to transact on the Company's behalf. (vi) Beneficial Ownership Declaration (On letter head of Company /Partnership/Trust/Body) along with the KYC documents of beneficial owners and managers, officers or employees, as the case may be, holding an attorney to transact on the Company's behalf. (vii) The names of the relevant persons holding senior management position. (viii) List of Directors as on date. (ix) The address of the registered office and the principal place of business, if different, shall be provided along with additional proof as mentioned below. <p><i>All the above-mentioned documents are mandatory.</i></p> <p>In addition to above any of the below document needs to be submitted as an office address proof:</p>

	<ul style="list-style-type: none"> i) Latest telephone bill (Not older than 2 months) ii) Electricity bill (Not older than 2 months) iii) Water bill (Not older than 2 months) iv) Municipality tax receipt / property tax receipt <p>Note</p> <ol style="list-style-type: none"> 1. Certified True Copy here shall mean copy of document certified as true by at least two Directors of the Company. 2. In case of companies having 3 Directors and authorising more than 1 persons as authorised signatory, it is strongly advised to ensure that at least one Director certifying the resolution is a different person.
Non-Individual Entity (HUF)	<ul style="list-style-type: none"> i) Copy of HUF PAN (Mandatory) ii) Copy of Pan Card or Form 60 of Karta (Mandatory) <p>Any of the below List of officially valid documents to be submitted for Karta:</p> <ul style="list-style-type: none"> i) Voter ID ii) Valid Passport iii) Driving license iv) Proof of possession of Aadhaar ** v) Job card issued by NREGA vi) Letter issued by the National Population Register vi) any other document as notified by the Central Government in consultation with the Regulator
NRI (Non-Resident Indian)	<ul style="list-style-type: none"> i) PAN or Form 60 (Mandatory)* ii) Copy of any of the below List of officially valid documents: iii) Voter ID iv) Valid Passport v) Driving license vi) Proof of possession of Aadhaar ** vii) Job card issued by NREGA

	<p>viii) Letter issued by the National Population Register</p> <p>ix) Any other document as notified by the Central Government in consultation with the Regulator.</p> <p>Note 1- Where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.</p>
PIO (Person of Indian Origin)	<p>Copy of an any of the below 'officially valid document'.</p> <p>i) Voter ID</p> <p>ii) Valid Passport</p> <p>iii) Driving license</p> <p>iv) Proof of possession of Aadhaar (Refer note 1)</p> <p>v) Job card issued by NREGA</p> <p>vi) Letter issued by the National Population Register</p> <p>any other document as notified by the Central Government in consultation with the Regulator (example: PIO card issued by Govt of India)</p>

Note:

- a) *Form 60 to be filled by an individual or a person (not being a company or firm) who does not have a permanent account number as specified in Rule 114B of Income Tax rule, 1962.
- b) **Wherever Aadhaar number is provided by client as officially valid document (OVD), reporting entity (IKFL) shall redact or black out the Aadhaar Number through appropriate means

Application Form with Photograph

<u>Description</u>	<u>Type of Documents</u>
Application Form	<ol style="list-style-type: none">1. Duly completed application form signed by all the applicants/ co-applicants/ guarantors.2. Applicants should also sign across the photograph and application form.3. Latest passport size colour photographs of all applicant / co-applicants/ guarantors with cross sign.4. Any corrections / overwriting on the application form should be countersigned by the respective applicant / co applicant / guarantor.

Signature Verification

<u>Description</u>	<u>Type of Documents</u>
Signature Verification (Individual)	<ol style="list-style-type: none">1. Copy of Pan Card.2. Copy of Laminated Driving License (permanent only)3. Copy of Passport4. Bank Verification (Only Scheduled Commercial Banks)5. Government ID card for Govt. Employees6. Copy of entire Registered sale deed showing photo and signature. <p>(Note - There could be instances wherein applicant /co-applicant/ guarantor do not have any signature verification proof as above, in such cases a declaration should be obtained.</p>
Signature Verification (Authorized Signatory)	<ol style="list-style-type: none">1. Copy of Pan Card.2. Copy of Passport.

Relationship Proof

In order to establish relationship between applicant, co-applicant or guarantor (only if he / she is a Spouse) below mentioned document should be obtained –

1. Marriage Certificate and
2. PAN Card or Aadhaar card

Documents in Vernacular Language

In case any documents submitted by the applicant are in vernacular or regional language, the SRO/Other Officer or Document certifying IKFL official should satisfy about the contents of the document submitted and certify the contents in the document by affixing the following stamp on the face of the document.

I have understood the document and certify that the document submitted is in accordance with IKFL guidelines.

Signature in Vernacular Language or Thumb Impression

In cases where the applicant/ co-applicant/ add on card holder/ guarantor has done his/ her signature in the vernacular language or put his/ her thumb impression, then a vernacular declaration has to be obtained.

Self-Attestation Norms – non-KYC documents

Wherever physical copies of non-KYC documents are obtained from the customers, such documents should be self-attested by the applicant / co-applicant / guarantor to whom the document pertains.

In case where the document runs into more than 5 pages, then the self-attestation by the customer is required only on the first page and the last page. –

- In case of Bank statement customer should mention that the “Statement for the period DD/MM/YYYY to period DD/MM/YYYY in total of ____ (no of pages) handed over to IKFL.”
- In case of any other non-KYC document is collected without page numbers, SRO/Other Officer should mention page number on each page & obtain customer’s signature on

first and last page stating “Document from page no. ____ to ____ collected and handed over to IKFL.”

For cases where the non-KYC documents are shared by customer from his/her email id/WhatsApp mobile number registered with IKFL mentioned in application form; the documents would be considered as self-attested by customer.

OSV Norms

All documents provided by the customer (for applicant/co-applicant /guarantor) should be sighted in original and verified by IKFL Employee and signed and stamp with “Original Seen and Verified” with date, employee ID and Employee Name.