



# SHRI KALYAN HOLDINGS LIMITED

## Know Your Customer (KYC) & Anti Money Laundering Measures (AML) Policy

### 1. Introduction

Reserve Bank of India (RBI) on February 25, 2016 vide circular no. **RBI/DBR/2015-16/18 DBR.AML.BC.No.81/14.01.001/2015-16** notified the Know your customer (KYC) Directions, 2016 (**KYC Directions**) updated as on **April 20, 2018 and Master Direction - Know Your Customer (KYC) Direction, 2016 (Updated as on April 20, 2020)** inter alia, directing that every Regulated Entity shall have a Know your customer (KYC) Policy duly approved by the Board of Directors. These KYC directions have been issued by the RBI in terms of the provisions of Prevention of Money-Laundering Act, 2002 (**PMLA**) and the Prevention of Money-Laundering (Maintenance of Records) Rules 2005.

Pursuant to the KYC guidelines, the Board of Directors (the "Board") of Shri Kalyan Holdings Limited (the "Company" or "SKHL"), being a Non Banking Financial Company, has adopted this policy on Know Your Customer (KYC) & Anti Money Laundering Measures (AML), superseding the existing KYC & AML Policy of the Company, as amended from time to time.

The objective of KYC Directions is to prevent Non Banking Company's and other regulated entities from being used, intentionally or unintentionally, by criminal elements for committing financial frauds, transferring or deposits of funds derived from criminal activities or terrorist financing activities.

### 2. Key Elements:

This Policy shall enable the Company to know and understand its Customers and its financial dealings better which in turn will help it to manage its risks prudently. The policy incorporating the following four key elements:

- A) Customer Acceptance Policy,
- B) Risk Management Policy,
- C) Customer Identification process and
- D) Monitoring of transactions

with a view to: -

- i. put in place an effective system and procedure for customer identification and verifying its / his / her identity and residential address and conduct customer due diligence (**CDD**) based on the risk factor associated with each customer;
- ii. have in place a system of assessing and monitoring the risk factors associated with each customer;
- iii. put in place a system of checks and balances to ensure formulation and effective implementation of procedures to help control and mitigate the risk of occurrence of financial frauds, swiftly identify probable transactions of money laundering and related suspicious activities and safeguarding SKHL from being unwittingly used as a conduit for transfer or deposit of funds derived from criminal activity or for financing of terrorism, irrespective of whether such money can be traced to a specific act of terrorism or not;

- iv. monitor transactions of a suspicious nature and report the same to the Financial Intelligence Unit- India (**FIU- IND**); verification and maintenance of records of transactions of customers in accordance with PMLA and the Rules made thereunder;

For the purpose of KYC Policy, a “customer” will be defined as:

- A person or entity that maintains an account and/or has a business relationship with SKHL
- one on whose behalf the account is maintained (i.e. the beneficial owner).
- Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Company Secretaries, Chartered Accountants, Solicitors etc. as permitted under the law, and
- any person or entity connected with a financial transaction which can pose significant reputation or other risks to SKHL, say a wire transfer or issue of a high value demand draft as a single transaction.

Other terms not specifically defined here shall have the same meaning as assigned to them under the KYC Directions, 2016 or the PMLA.

## **2. Applicability**

(a) The provisions of these Directions shall apply to every entity regulated by Reserve Bank of India, more specifically as defined in 3 (b) (xiii) below, except where specifically mentioned otherwise.

(b) These directions shall also apply to those branches and majority owned subsidiaries of the REs which are located abroad, to the extent they are not contradictory to the local laws in the host country, provided that:

i. where applicable laws and regulations prohibit implementation of these guidelines, the same shall be brought to the notice of the Reserve Bank of India.

ii. in case there is a variance in KYC/AML standards prescribed by the Reserve Bank of India and the host country regulators, branches/ subsidiaries of REs are required to adopt the more stringent regulation of the two.

iii. branches/ subsidiaries of foreign incorporated banks may adopt the more stringent regulation of the two i.e. standards prescribed by the Reserve Bank of India and their home country regulators.

Provided that this rule shall not apply to ‘small accounts’ referred to in Section 23 of Chapter VI.

## **3. Definitions**

In these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:

(a) Terms bearing meaning assigned in terms of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005:

i. “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);

ii. “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.

iii. 3“Authentication”, in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016

### **3. Designated Director:**

(a) A “Designated Director” means a person designated by the RE to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the Rules and shall be nominated by the Board.

(b) The name, designation and address of the Designated Director shall be communicated to the FIU-IND.

(c) In no case, the Principal Officer shall be nominated as the 'Designated Director'.

### **4. Principal Officer:**

(a) The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations.

(b) The name, designation and address of the Principal Officer shall be communicated to the FIU-IND.

### **5. Compliance of KYC policy**

(a) REs shall ensure compliance with KYC Policy through:

- i. Specifying as to who constitute 'Senior Management' for the purpose of KYC compliance.
- ii. Allocation of responsibility for effective implementation of policies and procedures.
- iii. Independent evaluation of the compliance functions of REs' policies and procedures, including legal and regulatory requirements.
- iv. Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures.
- v. Submission of quarterly audit notes and compliance to the Audit Committee.

(b) REs shall ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

### **A) Customer Acceptance Policy (CAP)**

The Customer Acceptance Policy will ensure the following aspects of customer relationship:

- Customers who are acceptable to SKHL as per the Risk categorization should fulfill all criteria related to submission of Officially Valid Documents (OVD) as defined by RBI from time to time and more specifically stated under the Customer Identification Procedure in the table set out separately.
- SKHL shall refrain from opening an account, where SKHL is unable to apply appropriate Customer Due Diligence (CDD) measures.

- In the event, the customer is permitted to act on behalf of another person/entity, SKHL shall verify that the customer has the necessary authority to do so by scrutinizing the authorizing document/s.
- An account shall not be opened in an anonymous or fictitious/ benami name(s) and SKHL will also use RBI caution advices in determining the customer acceptance framework.
- 'Optional'/additional information shall be obtained with the explicit consent of the customer after the account is opened.
- CDD Procedure shall be followed for all the joint account holders, while opening a joint account.
- Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- Where an equivalent e-document is obtained from the customer, RE shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).

## **B) Risk Management Policy**

- Risk categorization of customers shall be undertaken on the basis of various factors, such as nature of employment, business activity of the customer, location of customer and his/its clients, mode of payments, volume of turnover, social / financial status and credit history. SKHL may at its discretion identify additional factors that it may wish to utilize for customer acceptance based on risk profile determined by SKHL.
- The company may categorize its customers into 'High Risk / Medium Risk / Low Risk' according to risk perceived based on its experience and review it from time to time. The company may devise procedures for creating risk profiles of its existing and new customers and apply various Anti-Money Laundering measures keeping in view the risks involved in a financial transaction or a business relationship. The company's internal audit and compliance functions shall play an important role in evaluating and ensuring adherence to KYC policies and procedure, including legal and regulatory requirement.

## **C) Customer Identification Procedure**

- SKHL shall ensure that customer identification process is undertaken, whenever an account based relationship is being established.
- While undertaking customer identification, SKHL shall ensure that the decision-making functions of determining compliance with KYC shall not be outsourced.
- SKHL shall be adequately satisfied with the information furnished by each new customer with respect to identity of the customer and the purpose of the intended nature of relationship with SKHL. The satisfaction of SKHL with respect to the

information/ documents furnished by the customers should be such that if circumstances necessitate, SKHL shall ensure that it is in a position to satisfy the competent authorities that CDD was duly observed by SKHL, based on the risk profile/categorization of the customer.

- As stated in the Customer Acceptance Policy, SKHL shall ensure that its customer is not a fictitious person by verifying the identity of the customer through documentation and shall also carry out necessary checks, so as to confirm that the identity of the customer on the basis of the documents obtained does not match with any person with known criminal background or with banned entities, such as individual terrorists or terrorist organizations.
- One or more of the following valid self-attested documents may be called for from the customers as OVD, containing details of proof of their identity and address:

Type of Customer	Officially Valid Documents
<p><b><u>In case of Individuals</u></b></p>	<p><b>Identity proof:</b> (Copy of one of the following)</p> <ul style="list-style-type: none"> <li>• Passport</li> <li>• Driving Licence</li> <li>• Income Tax PAN Card</li> <li>• Voter's Identity Card</li> <li>• Aadhar Card</li> </ul> <p><b>Residence proof:</b> (Copy of one of the following)</p> <ul style="list-style-type: none"> <li>• Utility Bill (Latest Telephone / Post-paid mobile / Electricity bill)</li> <li>• Property or Municipal Tax receipt</li> <li>• Bank Account or post office savings bank account statement</li> <li>• Passport</li> <li>• Driving Licence</li> <li>• Voter's Identity Card</li> <li>• Aadhar Card</li> </ul> <p>A copy of the marriage certificate or Gazette notification, in case of change in name</p>
<p><b><u>In case of Non-Individual (As applicable)</u></b></p>	<p><b>Identity &amp; Residence proof</b> (Copies of the following)</p> <ul style="list-style-type: none"> <li>• Income Tax PAN Card</li> <li>• Incorporation Certificate &amp; Memorandum &amp; Articles of Association (Registration Certificate &amp; Deed, in case of Partnership firm/Trust)</li> <li>• GST Registration/CST/VAT/Service Tax registration / Shops &amp; Establishment Certificate, as applicable</li> <li>• List of Directors/Partners/Trustees along with their OVDs as above.</li> <li>• Latest shareholding pattern, along with the list of major shareholders having more than 25% of holding, in case of company.</li> <li>• Utility bill not more than 2 months old.</li> </ul>

- **E-KYC services of UIDAI**

In order to reduce the risk of identity fraud, document forgery and to have paperless KYC verification, UIDAI has launched its e-KYC service. The Reserve Bank of India has directed the banks to accept e-KYC service as a valid process for KYC verification under Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

Further, the information containing demographic details and photographs made available from UIDAI as a result of e-KYC process (which is in an electronic form and accessible so as to be usable for a subsequent reference) shall be treated as an "Officially Valid Document" under PML Rules.

While using e-KYC service of UIDAI, the individual user (i.e. prospective customer) has to authorize the UIDAI, by explicit consent, to release his/her identity/address through biometric authentication to the Bank branches. The UIDAI then transfers the data of the individual comprising name, age, gender and photograph of the individual, electronically to the Bank/Business Correspondents, which may be accepted as valid process for KYC verification.

SKHL shall accept e-Aadhaar downloaded from UIDAI website as an "Officially Valid Document" subject to the following: (i) If the prospective customer knows only his/her Aadhaar number, the branch shall print the prospective customer's e-Aadhaar letter directly from the UIDAI portal provided the prospective customer is physically present in the branch/office; or adopt e-KYC procedure. (ii) If the prospective customer carries a copy of the e-Aadhaar downloaded from a place/source elsewhere, still the branch shall print the prospective customer's e-Aadhaar letter directly from the UIDAI portal provided the prospective customer is physically present in the branch/office; or adopt e-KYC procedure; or confirm the identity and address of the resident through the authentication service of UIDAI.

Physical Aadhaar card/letter issued by UIDAI containing details of name, address and Aadhaar number received through post and e-KYC process would continue to be accepted as an "Officially Valid Document".

**D) Monitoring of Transactions:**

- The company shall monitor transactions of a suspicious nature on an ongoing basis for the purpose of reporting it to the appropriate authorities. The extent of monitoring by the Company will depend on the risk sensitivity of the account and special attention will be given to all complex unusually large transactions, which have no apparent economic or lawful purpose.
- The company shall promptly report such high value cash transactions or transactions of a suspicious nature to the appropriate regulatory and investigating authorities, as per the provisions of the PMLA and the Rules.
- SKHL shall exercise caution with respect to the transactions with persons (including legal persons and other financial institutions) from the countries which have been identified by Financial Action Task Force (FATF) as high risk and non-cooperative jurisdictions with respect to compliance with the FATF Recommendations, 2012.

### **3. Miscellaneous**

- **On-going Due Diligence**

SKHL 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. The extent of monitoring shall be aligned with the risk category of the customer.

- **Introduction of new technologies**

SKHL shall pay special attention to any money laundering threats that may arise from new or developing technologies including online transactions that may favour anonymity, and take measures, if needed, to prevent their use in money laundering. SKHL 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.

- **Simplified KYC norms for Foreign Portfolio Investors (FPIs)**

Accounts of FPIs which are eligible/ registered as per SEBI guidelines, for the purpose of investment under Portfolio Investment Scheme (PIS), shall be opened by accepting KYC documents as prescribed by RBI, subject to Income Tax (FATCA/CRS) Rules.

- **Information obtained from Customers**

All the information collected from the customers by SKHL shall be kept confidential and all such information shall be treated as per the agreement/terms and conditions signed by the customers. Additionally, the information sought from each customer should be relevant to the risk perceived in respect of that particular customer, should not be intrusive and should be in line with the guidelines issued by the RBI in that behalf.

- **Record Management**

SKHL shall take steps in the direction of maintenance and preservation of the records pertaining to KYC and transactions for the time duration of 5 years for KYC-related and transaction-related documents as prescribed by RBI.

- **Other Requirements**

All other requirements under FATCA/CRS/PML/FIU-Ind relating to appointment of designated officer/director, principal officer and reporting requirements relating to filing of Suspicious Transaction Report (STR), Cash Transaction Report (CTR), counterfeit currency report (CCR) and other applicable reports filing under FATCA will be complied with in terms of the direction of the RBI or the other authorities to the extent applicable to SKHL.

- **Closure of Accounts / Termination of Financing / Business Relationship**

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

Principal Officer after taking the due approval from the Board of Directors of SKHL shall make the necessary amendments/modifications in the KYC/ AML 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.