

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

### **OBJECTIVES**

Pursuant to Reserve Bank of India ("RBI") Notification vide Circular no. DNBR (PD) CC No. 051/03.10.119/2015-16 dated July 1, 2015 on 'Know Your Customer' ("KYC") Guidelines - Anti Money Laundering ("AML") standards issued to non-banking financial companies ("NBFCs"); the Board of Directors have adopted the KYC & AML Policy measures for Moneyplus Financial Services Ltd (Moneyplus). This policy / guideline is applicable to all offices and branches of MONEYPLUS.

### **KEY ELEMENTS**

KYC procedures also enable us to know/understand our customers and their financial dealings better which in turn help them manage their risks prudently. We have framed our KYC policy incorporating the following four key elements

- Customer Acceptance Policy
- Customer Identification Procedures
- Monitoring of Transactions and
- Risk management

### **Definition of Customer for the purpose of KYC policy**

- person or entity that maintains an account and/or has a business relationship with the Company;
- One on whose behalf the account is maintained (i.e., the beneficial owner)
- Any other person or entity connected with a financial transaction which can pose significant reputation or other risks to the Company, for example, a wire transfer or issue of high value demand draft as a single transaction

## **A. CUSTOMER ACCEPTANCE POLICY (CAP)**

Moneyplus ensures a clear guideline for acceptance policy laying down explicit criteria for acceptance of customers:

- The Company should categorize customers into various risk categories and based on risk perception decide on acceptance criteria for each customer category. Given the nature of our business – small loans to micro, small and medium enterprises, informal and financially excluded families – we have categorized our customers as low risk
- No account is opened in anonymous or fictitious/benami name(s)
- Accept customers after verifying their identity as laid down in customer identification procedures.
- While carrying out due diligence the company will ensure that the procedure adopted will not result in denial of services to the genuine customers.
- For the purpose of risk categorization of customer, Company shall obtain the relevant information from the customer at the time of account opening.
- Customers requiring very high level of monitoring, e.g. Politically Exposed Persons will be given due consideration.
- The Company shall obtain the documents required and other information collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of PML Act, 2002 and guidelines issued from time to time.
- Circumstances, in which a customer is permitted to act on behalf of another person/entity, will be clearly spelt out in conformity with the established law and practices, as there could be occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in a fiduciary capacity, and
- Moneyplus makes necessary checks before opening a new account 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.
- If we are unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, MONEYPLUS may consider terminating the business relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decisions being taken at a reasonably senior level after

consulting the Principal Officer.

## **B. CUSTOMER IDENTIFICATION PROCEDURE (CIP)**

As per the RBI Guidelines, the Customer Identification Procedure are to be carried out at different stages i.e. while establishing a business relationship; carrying out a financial transaction or when the Company has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. The Company will obtain sufficient information necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of business relationship. Being satisfied means that the Company must be able to satisfy the competent authorities that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place. Such risk-based approach is considered necessary to avoid disproportionate cost to Company and a burdensome regime for the customers. Besides risk perception, the nature of information/documents required would also depend on the type of customer (individual, corporate etc). For customers that are natural persons, the Company will obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph.

The Company has framed its own internal guidelines based on their experience of dealing with such persons/entities, normal lender's prudence and the legal requirements as per established practices. The Company will take reasonable measures to identify the beneficial owner(s) and verify his/her/their identity in a manner so that it is satisfied that it knows who the beneficial owner(s) is/are. An indicative list of the nature and type of documents/information that may be relied upon for customer identification is given in the **Annexure-I**.

Documentation requirements and other information shall be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of Prevention of Money Laundering Act, 2002 and guidelines issued by RBI from time to time. Necessary checks wherever and to the extent possible, shall be conducted

before opening a new account so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities.

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

**MONEYPLUS** performs appropriate, specific and where necessary, enhanced Due Diligence on its customers that is reasonably designed to know and verify the true identity of its customers and to detect and report instances of criminal activity, including money laundering or terrorist financing. The procedures, documentation, types of information obtained and levels of KYC due diligence is based on the level of risk associated with the relationship (products, services, business processes, geographic locations) between MONEYPLUS and the customer and the risk profile of the customer.

### **C. MONITORING TRANSACTIONS:**

Ongoing monitoring is an essential element of effective KYC procedures. Monitoring of transactions and its extent will be conducted taking into consideration the risk profile and risk sensitivity of the account. The Company shall make endeavors to understand the normal and reasonable activity of the customer so that the transactions that fall outside the regular/pattern of activity can be identified. The Company shall carry out the periodic review of risk categorization of transactions/customer's accounts and the need for applying enhanced due diligence measures at a periodicity of not less than once in six months.

Transactions of high value customers shall be monitored at periodic intervals and these include transactions of customers after certain threshold limits; transactions originating from FAFT countries etc. High cash centric transactions and suspicious transaction whenever found shall be reported to appropriate Regulatory Authorities.

Illustrative list of activities which is construed as suspicious transactions

- Activities not consistent with the customer's business, i.e., accounts with large volume of credits whereas the nature of business does not justify such credits.

- Any attempt to avoid Reporting/Record-keeping Requirements/provides insufficient / suspicious information:
  - A customer who is reluctant to provide information needed for a mandatory report, to have the report filed or to proceed with a transaction after being informed that the report must be filed.
  - Any individual or group that coerces/induces or attempts to coerce/induce MONEYPLUS employee from not filing any report or any other forms.
- Certain Employees of MONEYPLUS arousing suspicion:
  - An employee whose lavish lifestyle cannot be supported by his or her salary.
  - Negligence of employees/willful blindness is reported repeatedly.
- Some examples of suspicious activities/transactions monitored by the operating staff:
  - Multiple accounts under the same name
  - Refuses to furnish details of source of funds by which initial contribution made, sources of funds are doubtful etc;
  - There are reasonable doubts over the real beneficiary of the loan
  - Frequent requests for change of address

#### **D. RISK MANAGEMENT**

The Management under the supervision of the Board of Directors of the Company shall ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation. It will cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility will be explicitly allocated within the Company for ensuring that the policies and procedures as applicable to the Company are implemented effectively. The Company shall devise procedures for creating Risk Profiles of their existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship

#### **E. CUSTOMER EDUCATION**

Implementation of KYC procedures requires the Company to demand certain information from customers which may be of a personal nature or which have hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and

purpose of collecting such information. The Company will prepare specific literature/ pamphlets etc. so as to educate the customer on the objectives of the KYC programme. For this purpose, all the staff members with whom the customers will have their first interaction/dealing will be provided special training to answer any query or questions of the customers and satisfy them while seeking certain information in furtherance of KYC Policy

#### **F. INTRODUCTION OF NEW TECHNOLOGIES**

The Company will pay special attention to any money laundering threats that may arise from new or developing technologies including internet transactions that might favour anonymity, and take measures, if need, to prevent their use in money laundering schemes.

#### **G. APPOINTMENT OF PRINCIPAL OFFICER**

Mr. Nirdosh Gaur, Managing Director of the Company is the principal officer of the Company who is responsible for ensuring overall compliance as required under PMLA Act and the Rules.

As per the RBI guidelines, the Principal Officer is located at our corporate office and is responsible for monitoring and reporting of all transactions and sharing of information as required under the law.

#### **H. MAINTENANCE OF RECORDS OF TRANSACTIONS**

The company's system of maintaining proper record of transactions is in conformity with the requirement under section 12 (refer page 29) of the PMLA read with Rule 3 (maintain a record of all transactions for 5 years) of the PML Rules, as mentioned below:

- i. All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- ii. All series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds rupees ten lakhs or its equivalent in foreign currency
- iii. All transactions involving receipts by non-profit organizations of rupees ten lakhs or its equivalent in foreign currency;

- iv. All Cash transactions (in terms of Rule 3 (c)) where forged or counterfeit currency notes or bank notes has been used as genuine or where any forgery of valuable security or a document has taken place facilitating the transactions, had to be reported by the 15th day of the succeeding month.
- v. All suspicious transactions whether or not made in cash and by way of as mentioned in the Rule 3(1) (D).

The branches have to maintain proper record of all cash transactions (deposits and withdrawals) of Rs.10 lakh and above. Such transactions and those of suspicious nature whether made in cash or otherwise, need to be reported to controlling/head office on a fortnightly basis or extracted as a report from the central database.

#### **I. RECORDS TO CONTAIN THE SPECIFIED INFORMATION**

Records referred to above in Para 20 as per Rule 3 of the PMLA Rules to contain the following information: -

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

#### **J. MAINTENANCE AND PRESERVATION OF RECORDS**

Section 12 of PMLA requires every NBFC to maintain records as under:

- i. records of all transactions referred to in clause (a) of Sub-section (1) of section 12 read with Rule 3 of the PML Rules is required to be maintained for a period of ten years from the date of last transaction and closure of the account of the customer
- ii. Records of the identity of all clients of the NBFC are required to be maintained for a period of ten years from the date of cessation of transactions between the clients and the NBFC.
- iii. Other records not related to identity of clients or records of transaction are to be preserved for at least for five years from the date of the record.
- iv. For destruction of records, each department shall maintain register under the

custody of Senior Management officer of the department concern for maintaining records of destruction and name of the approving officers for such destruction.

The Company should take appropriate steps to evolve a system for proper maintenance and preservation of information in a manner (in hard and soft copies) that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. The Company shall maintain records of the identity of clients, and records in respect of transactions with its client referred to in rule 3 in hard or soft format.

#### **REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA**

In terms of the PMLA rules, Moneyplus will report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

**Director, FIU-IND**

**Financial Intelligence Unit-India,  
6th Floor, Hotel Samrat,  
Chanakyapuri, New Delhi-110021**

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

**Documents Required for Customer Identification**

In case of Individuals Identity proof:

(Copy of one of the following)

- Income Tax Pan Card
- Passport
- Voter's Identity Card
- Driving License
- Bank Pass Book with photo (Scheduled Bank)

Residence proof: (Copy of one of the following)

- Latest Telephone bill
- Latest Electricity bill
- Registered rental/lease/sale agreement
- Passport
- Ration Card
- Voter's Identity Card
- Driving License
- Latest Bank Account statement or Bank Pass Book of Scheduled Bank
- Latest Credit Card statement
- Latest Demat account statement

In addition to verification through one or more of the above said documents, the company may also call for suitable introduction by a person known to the company/group companies.