RICHCREDIT FINANCE PRIVATE LIMITED
("Company")

ANTI-MONEY LAUNDERING POLICY
AND
KNOW YOUR CUSTOMER

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

1. Objective

The primary objective is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities. KYC processes will also enable Company to better understand its borrowers and their financial dealings. This would in turn be helpful for Company to prudently manage the risks associated with lending to a borrower.

2. General Guidelines

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

3. Definitions:-

a. **Customer** – For the purpose of KYC Norms, a 'Customer' is defined as a person who is engaged in a financial transaction or activity with a reporting entity and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

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

c. **Principal Officer** – Company has appointed **Mr. Anup Kumar** as Principal Officer (PO). PO is reporting directly to the Board of Directors. The PO is responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations. The name, designation and address of the Principal Officer has been communicated to the FIU-IND.

d. **Officially valid document (OVD)** –OVD means the passport, the driving licence, the Permanent Account Number (PAN) Card, the Voter's Identity Card issued by the Election Commission of India, letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number, or any other document as notified by the Central Government in consultation with the Regulator.

e. **Person** –
   i. An individual
   ii. A Hindu undivided family
   iii. A company
   iv. A firm
   v. An association of persons or a body of individuals, whether incorporated or not
   vi. Every artificial juridical person, not falling within any one of the above persons (i to v), and
   vii. Any agency, office or branch owned or controlled by any of the above persons (i to vi)

f. **Transaction** – "Transaction" means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and include:
   i. opening of an account
   ii. deposits, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means

iii. the use of a safety deposit box or any other form of safe deposit
iv. entering into any fiduciary relationship
v. any payment made or received in whole or in part of any contractual or other legal obligation; or
vi. Establishing or creating a legal person or legal arrangement.

4. KYC Policy

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

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

Company will ensure the following as part of its CAP:

i. No account/ lending shall be opened/ made in anonymous or fictitious/benami name.
ii. All borrowers shall be categorized the customers into low, medium and high risk ones based on the information provided by them in terms of the nature of business activity, location of the customer and its clients, mode of payments, volume of turnover, social and financial status etc.
iii. Periodic collection of documents and other information from different categories of borrowers depending on perceived risk and the requirements of PML Act, 2002 and instructions/guidelines issued by Reserve Bank from time to time.
iv. Company is very clear that it will not work with any prospective borrower where the Company is unable to apply appropriate customer due diligence measures, i.e., Company is unable to verify the identity and /or obtain required documents either due to non-cooperation of the prospective borrower or non-reliability of the documents/information furnished by the prospective borrower. The bank/FI may also consider closing an existing account/ lending relationship under similar circumstances.
v. Company shall conduct necessary checks with the watch list of the RBI and other watch lists before accepting a new Customer so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc.
Companies commits to maintain a balance between complying with the KYC norms of RBI as well as its mission of supporting impactful businesses in a manner that it will not result in denial of banking facility to members of the general public, especially those, who are financially or socially disadvantaged.

b. **<u>Customer Identification Procedures (CIP)</u>:** Customer identification means undertaking client due diligence measures while commencing an account-based relationship including identifying and verifying the customer and the beneficial owner on the basis of one of the OVDs. Company will obtain sufficient information to establish, to its satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of the banking relationship. Company shall follow prudent practices as part of 'Being Satisfied' which shall be to the satisfaction of the competent authorities that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place. Such risk-based approach is considered necessary to avoid disproportionate cost to the banks/FIs and a burdensome regime for the customers. The CIP of Company is approved by the Board. For prospective borrowers Company shall undertake to collect the information as enumerated in Annexure – II.

c. **<u>Monitoring of Transactions:</u>** Company considers monitoring a very critical component of its overall operations. Critically, it is an ongoing element of an effective KYC/AML procedures. Company will exercise ongoing due diligence with respect to every customer and closely examine the transactions to ensure that they are consistent with the customer's profile and source of funds as per extant instructions. It is but reasonable that the extent of monitoring will depend on the risk category of the account. High risk accounts shall be subjected to more intensified monitoring. Company will pay particular attention to the following types of transactions:

   i. Large and complex transactions, and those with unusual patterns, which have no apparent economic rationale or legitimate purpose.
   ii. Transactions which exceed the thresholds prescribed for specific categories of accounts.
   iii. Transactions involving large amounts of cash inconsistent with the normal and expected activity of the customer.
   iv. High account turnover inconsistent with the size of the balance maintained.

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

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

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

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

i. Company has prepared a profile for each new borrower based on risk categorization. The borrower profile shall contain information relating to borrower's identity, social/financial status, nature of business activity, information about the borrowers' business and their location etc. The nature and extent of due diligence will depend on the risk perceived by Company.

ii. The perceived risks are classified as:

1. Low Risk: Individuals (other than High Net Worth) and entities, whose identity and source of income, can be easily identified, and customers in whose accounts the transactions conform to the known profile, may be categorized as low risk.
2. Medium or high risk: Those involved in cash intensive business, Politically Exposed Persons (PEPs) of foreign origin

iii. Process of managing risk:

1. Role of Borrower Relationship Manager (BRM): She/ He shall be responsible for collecting periodic data/documents and other relevant information from prospective (and existing) borrowers from time to time. Based on the receipt of such information, credit risk profiles of borrowers shall be drawn (or shall evolve in case of existing borrowers).
2. Role of Principal Officer: She/ he shall prepare periodic reports whilst assessing the perceived risk on existing and prospective clients. These reports shall be then presented to a board appointed "risk management committee (RMC)". It is the responsibility of the PO to bring to light the changing landscape of portfolio risk to the RMC and seek their timely guidance and intervention.
3. Role of Risk Management Committee (RMC): RMC shall meet every 6 months or as recommended periodically by the PO for a meeting and shall discuss the findings of PO from the periodic reports. RMC shall then appropriately guide the PO and the management team to take necessary action in case concerns are observed in high risk cases.

5. **General guidelines**

a. **<u>Confidentiality of customer information</u>:** Information collected from customers for the purpose of initiating a lending relationship is treated as confidential and details thereof are not divulged for the purpose of cross selling, etc. Information sought from the customer are relevant to the perceived risk and are non-intrusive. Any other information that is sought from the customer is called for separately only after the account has been opened/ lending relationship begun, with his/her express consent and in a different form, distinctly separate from the application form. It is indicated clearly to the customer that providing such information is optional unless as agreed under the loan agreement as part of mandator information requests.

b. **<u>Avoiding hardship to customers:</u>** Company employees keep in mind the spirit of the instructions issued by the Reserve Bank so as to avoid undue hardships to individuals who are otherwise classified as low risk customers.

c. **<u>Sensitising customers:</u>** Implementation of AML/CFT policy may require certain information from customers of a personal nature or which had not been called for earlier. Company shall ensure that the customer is educated regarding the objectives of the AML/CFT requirements for which their cooperation is solicited.

d. **<u>Hiring of Employees</u>:** Adequate screening mechanism is put in place by Company as part of their personnel recruitment/hiring process to ensure that criminals are not allowed to misuse the banking channels.