

# AQUILA FINANCE LIMITED

## COMPREHENSIVE KYC, AML & CFT POLICY

**AFL/POL/04/26-R004-13**

| History of the Document | Adopted by         | Date of Adoption/Review |
|-------------------------|--------------------|-------------------------|
| Originally Adopted      | Board of Directors | 10-06-2023              |
| Review                  | Board of Directors | 01-04-2025              |
| Review and Amended      | Board of Directors | 25-10-2025              |
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### 1.0 PHILOSOPHY AND OBJECTIVE

Aquila Finance Limited ("the Company") is committed to operating in accordance with the highest ethical and legal standards. This policy is established to fulfill our obligations under the Prevention of Money-Laundering Act, 2002 (PMLA), the rules framed thereunder, and the Master Direction - RBI (Know Your Customer) Directions, 2016 (as updated).

The primary objectives of this policy are to:

- Prevent the Company from being used, intentionally or unintentionally, for money laundering (ML) or terrorist financing (TF) activities.
- Establish a robust framework for customer due diligence, risk assessment, and ongoing monitoring.
- Ensure compliance with all applicable legal and regulatory guidelines issued by the Reserve Bank of India (RBI) and other statutory authorities.
- Foster a culture of compliance through continuous employee training and robust internal controls.

### 2.0 GOVERNANCE AND OVERSIGHT

#### 2.1 Board of Directors

The Board of Directors bears ultimate responsibility for the effectiveness of this policy. Its duties include:

- Approving this policy and any material amendments thereto.
- Ensuring adequate resources are allocated for its implementation.
- Receiving regular reports from the Principal Officer and the Audit Committee on policy compliance.

#### 2.2 Designated Director

The Board shall appoint a Designated Director who shall be responsible for overall compliance with the obligations under the PMLA and related rules. The particulars of the Designated Director shall be communicated to the Financial Intelligence Unit-India (FIU-IND) and the RBI.

### 2.3 Principal Officer

A senior management official shall be appointed as the Principal Officer, acting as the central reference point for all AML/CFT matters. The Principal Officer's responsibilities include:

- Monitoring day-to-day compliance with this policy.
- Reporting Cash Transaction Reports (CTRs) and Suspicious Transaction Reports (STRs) to the FIU-IND.
- Ensuring maintenance of all required records.
- Acting as a liaison with regulatory and law enforcement agencies.
- Submitting periodic reports to the Board and the Designated Director.

### 3.0 CUSTOMER ACCEPTANCE PRINCIPLES

The Company shall adhere to the following principles when onboarding customers:

- **No Anonymous Accounts:** Accounts shall not be opened in anonymous or fictitious (benami) names.
- **Risk-Based Approach:** Customer acceptance is based on a risk assessment. No customer category is exempt from KYC procedures.
- **Unique A/c Number:** A Unique A/c Number (UAN) shall be allocated to every customer to integrate all their relationships with the Company.
- **Right to Refuse:** The Company reserves the right to decline a business relationship if it poses an unacceptable ML/TF risk or if the customer fails to provide satisfactory information.

### 4.0 CUSTOMER IDENTIFICATION AND DUE DILIGENCE (CDD)

#### 4.1 When is CDD Required?

CDD is mandatory:

- At the commencement of an account-based relationship.
- When carrying out a transaction for a non-account based customer equal to or exceeding ₹50,000.
- When there is a suspicion of money laundering or terrorist financing.

- When the Company has doubts about the veracity or adequacy of previously obtained customer identification data.

#### 4.2 CDD for Individuals

For individual customers, the following must be obtained and verified:

- Proof of Identity (POI): Permanent Account Number (PAN) or Form 60.
- Proof of Address (POA): An Officially Valid Document (OVD) containing address.
- Recent Photograph: A live, digitally captured photograph.

Officially Valid Documents (OVDs) include:

- Passport
- Driving License
- Voter's Identity Card
- Job Card issued by NREGA (duly signed)
- Aadhaar Card (or proof of possession of Aadhaar number)
- Letter from the National Population Register

#### 4.3 Simplified Due Diligence (SDD)

For low-risk customers, as per RBI guidelines, a simplified procedure may be followed, allowing for alternative documents for address proof. However, the core identity verification via AADHAR, PAN and live photograph remains mandatory.

#### 4.4 Enhanced Due Diligence (EDD)

Enhanced measures are required for customers classified as high-risk, including:

- Politically Exposed Persons (PEPs): Both foreign and domestic, their family members, and close associates.
- Non-Face-to-Face Customers: Customers not physically present for identification.
- High-Value Transactions: Customers with transactions exceeding predefined thresholds without an apparent economic purpose.
- Customers from High-Risk Jurisdictions.

EDD involves:

- Obtaining additional information on the source of funds/wealth.
- Obtaining senior management approval for commencing the relationship.

- Conducting more frequent ongoing monitoring.

## **5.0 DIGITAL AND VIDEO-BASED IDENTIFICATION**

### **5.1 Digital KYC**

The Company may undertake digital KYC through an authenticated application to enhance accuracy, efficiency, and customer experience. The process includes the following methods:

#### **a) Electronic UID Verification (e-KYC)**

To ensure the highest level of data accuracy and minimize manual typing errors, Aquila Finance shall utilize the OTP-based Aadhaar authentication service provided by the Unique Identification Authority of India (UIDAI).

- **Process Flow:**

1. The customer provides their explicit consent for Aadhaar-based e-KYC.
2. The authorized official enters the customer's Aadhaar number into the Company's authenticated software application.
3. A one-time password (OTP) is triggered and sent to the customer's mobile number registered with UIDAI.
4. The customer provides this OTP to the official, who enters it into the software.
5. Upon successful authentication, the customer's demographic details (including name, date of birth, gender, and address) and photograph are securely fetched directly from the UIDAI database and auto-populated into the Customer creation form.

- **Benefits:**

- o **Elimination of Typographical Errors:** Data is sourced directly from the authoritative database, ensuring complete accuracy in the customer's records.
- o **Enhanced Efficiency:** Streamlines the onboarding process by auto-filling fields.
- o **Robust Verification:** Provides a high-assurance method of verifying the customer's identity.

This method shall be treated as a certified and valid process for customer identification, in compliance with the relevant RBI guidelines on e-KYC..

## **6.0 RISK MANAGEMENT AND MONITORING**

### **6.1 Risk Categorization**

Customers shall be categorized based on risk into Low, Medium, and High risk categories. The categorization is based on the customer's identity, social/financial status, nature of business activity, and location.

### **6.2 Transaction Monitoring**

A robust system shall be implemented for the ongoing monitoring of transactions to ensure they are consistent with the customer's known profile. Special attention shall be paid to:

- All complex, unusually large transactions.
- All unusual patterns of transactions with no apparent economic or visible lawful purpose.
- Cash Transactions: All cash transactions exceeding ₹10,00,000, or a series of integrally connected cash transactions below this threshold within a month, shall be closely monitored and reported.

## **7.0 RECORD KEEPING**

- Transaction Records: All transaction records shall be maintained for at least five years from the date of the transaction.
- Identification Records: All KYC documents, account files, and business correspondence shall be preserved for at least five years after the business relationship has ended.
- STR Records: The fact of filing an STR shall be kept confidential and maintained for at least five years.
- Records may be maintained in hard copy or electronically, provided they are easily retrievable for inspection by competent authorities.

## **8.0 REPORTING OBLIGATIONS**

The Principal Officer is responsible for filing the following reports with the Director, FIU-IND:

- Cash Transaction Report (CTR): For all cash transactions above the prescribed threshold.
- Suspicious Transaction Report (STR): For any transaction that gives rise to a reasonable suspicion that it involves proceeds of crime, regardless of the amount involved. The confidentiality of STRs is paramount.

## **9.0 CENTRAL KYC RECORDS REGISTRY (CKYC)**

In compliance with the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, and subsequent RBI directives, Aquila Finance Limited shall upload the KYC records of all new individual customers to the Central KYC Records Registry (CKYC).

### **9.1 Purpose and Obligation**

The CKYC is a centralized repository of KYC records, established to reduce the duplication of KYC effort across the financial sector and to provide a single source of truth for customer identity. The Company is legally obligated to submit KYC data to the CKYC.

### **9.2 Process**

- **Registration:** The Company shall maintain an active and valid registration with the CKYC portal.
- **Data Upload:** Upon successful completion of the Customer Identification Procedure (CIP) and the establishment of an account-based relationship, the KYC information and scanned copies of the OVDs for all new individual customers shall be uploaded to the CKYC in the specified format and within the stipulated timeline.
- **KYC Identifier:** The Company shall capture and store the unique KYC Identifier (KIN) generated by the CKYC system for each customer in its own records.
- **Consent:** The customer's consent for CKYC registration shall be obtained as part of the standard KYC process.

### **9.3 Retrieval for Existing CKYC Customers**

- If a prospective customer is already registered in the CKYC and provides their KIN, the Company shall retrieve the KYC records from the CKYC portal.
- The retrieved records shall be verified for their authenticity and currentness. The Company will not rely solely on the CKYC records if they are older than the periodic update frequency specified in this policy. Additional due diligence or document collection may be required to ensure the information is up-to-date.

## **10. EMPLOYEE TRAINING AND INTERNAL AUDIT**

- **Training:** All relevant employees shall undergo regular training programs to stay abreast of KYC/AML/CFT procedures, regulatory changes, and emerging ML/TF risks.

- Internal Audit: The Internal Audit function shall conduct periodic, independent audits to assess adherence to this policy. Audit findings shall be reported directly to the Audit Committee of the Board.

**BY THE ORDER OF THE BOARD OF DIRECTORS**

**For AQUILA FINANCE LIMITED**

