



# **KYC AML POLICY**

# **AQUILA FINANCE LIMITED**



## **Know your Customer Policy**

### **PREAMBLE**

The Reserve Bank of India (RBI) has issued comprehensive 'Know Your Customer' (KYC) Guidelines to all Non-Banking Financial Companies (NBFCs) in the context of the recommendations made by the Financial Action Task Force (FATF) and Anti Money Laundering (AML) standards and Combating Financing of Terrorism (CFT) policies as these being used as the International Benchmark for framing the stated policies, by the regulatory authorities. In view of the same, Aquila Finance Limited ("Company") has adopted the said KYC guidelines with suitable modifications depending on the activity undertaken by it. The Company has ensured that a proper policy framework on KYC and AML measures are formulated in line with the prescribed RBI guidelines and duly approved by its Board of Directors

### **OBJECTIVES, SCOPE AND APPLICATION OF THE POLICY**

The objective of KYC guidelines is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities. KYC procedures shall also 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. Thus, the KYC policy has been framed by the Company for the following purposes:

1. To prevent criminal elements from using Company for money laundering activities;
2. To enable Company to know and understand its Customers and their financial dealings better which, in turn, would help the Company to manage risks prudently;
3. To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures;
4. To comply with applicable laws and regulatory guidelines;



5. To ensure that the concerned staff are adequately trained in KYC/AML/CFT procedures. This KYC Policy is applicable to all branches/offices of the Company and is to be read in conjunction with related operational guidelines issued from time to time. This Policy includes nine (9) key elements:
- Customer Acceptance Policy (CAP);
  - Customer Identification Procedures (CIP);
  - Monitoring of Transactions;
  - Risk Management;
  - Training Programme;
  - Internal Control Systems;
  - Record Keeping;
  - Appointment of Principal Officer;
  - Reporting to FIU – India.

## **DEFINITION OF CUSTOMER**

For the purpose of Company's KYC policy a 'Customer' means a Person as defined under Know Your Customer Guidelines issued by RBI (and any amendment from time to time by RBI) which are at present as under:-

- A person or entity that has a business relationship with the Company;
- A Person who has a financial transaction or activity with the Company;
- Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted under the law;
- Any other Person connected with a financial transaction which can pose significant reputation or other risks to Company, say a wire transfer or issue of high value demand draft as a single transaction.

A "Person" shall have the meaning as defined under KYC policy of RBI (*and any amendment from time to time by RBI*) which at present is as follows:

'Person' shall include:

- 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 person (i to v);
- vii. any agency, office or branch owned or controlled by any one of the above persons (i to vi).

## **KEY ELEMENTS**

### **Customer Acceptance Policy (“CAP”)**

- The Company’s CAP lays down the criteria for acceptance of Customers. The guidelines in respect of Customer relationship in the Company broadly includes the following:
  - No facility is to be provided to any person in anonymous or fictitious/ benami name(s)/entity (ies);
  - Accept Customers only after verifying their identity, as laid down in Customer Identification Procedures. Necessary checks before entering into any transaction with the Customer 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;
  - Classify Customers into various risk categories and, based on risk perception, apply the acceptance criteria for each category of Customers. Also, a profile of each Customer will be prepared based on risk categorization. Customer requiring very high level of monitoring.
  - Documentation requirements and other information to be collected in respect of different categories of Customers depending on perceived risk and compliances with Prevention of Money Laundering Act, 2002 (PMLA) and RBI/ Company’s guidelines/instructions.



- Implementation of CAP should not become too restrictive and result in denial of the Company services to general public.
- The Company shall prepare a profile for each new Customer during the credit appraisal based on risk categorization. The Customer profile shall contain the information relating to the Customer's identity, social and financial status and nature of employment or business activity. The nature and extent of due diligence will depend on the risk perceived by Company. At the time of credit appraisal of the Customer the details are recorded along with his profile based on the documents provided by the Customer and verified by Company either by itself or through third party sources. The documents collected will be as per the product norms as may be in practice. However, while preparing Customer profile, the Company shall seek only such information from the Customer which is relevant to the risk category and is not intrusive. The Customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or for any other purposes.
- As per KYC policy, for acceptance and identification, Company's Customers shall be categorized based on perceived risk broadly into three categories – A, B & C. Category A includes High Risk Customers, Category B contain Medium Risk Customers while Category C Customers include Low Risk Customers. None of the Customers will be exempted from Company's KYC procedure, irrespective of the status and relationship with Company or its Promoters.

### **Customer Identification Procedures ("CIP")**

- Customer Identification means identifying the Customer and verifying his/her identity by using reliable, independent source documents, data or information. Company shall obtain sufficient information necessary to verify the identity of each new Customer along with brief details of its promoters and management, wherever applicable, whether regular or occasional and the purpose of the intended nature of business relationship as specified in Annexure III
- 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, Company shall obtain sufficient



identification data to verify the identity of the Customer, his address/location, and also his recent photograph. For customers that are legal persons or entities, the Company shall;

- i. verify the legal status of the legal person/ entity through proper and relevant documents;
  - ii. verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person.
- Understand the ownership and control structure of the customer to determine who the natural persons are ultimately controlling the legal person. Customer identification requirements keeping in view the provisions applicable of Prevention of Money Laundering & its. An indicative list of the nature and type of documents/information that may be relied upon for customer identification is given in Annexure I. The Company will frame internal guidelines based on its experience of dealing with such persons/entities, normal prudence and the legal requirements.
  - Persons who avail the loan facility from the Company, the details of Customer Identification Procedure and documents required are listed in Annexure II.
  - The Company will formulate and implement a Customer Identification Programme to determine the true identity of its Customers keeping the above in view. The Policy shall also cover the Identification Procedure to be carried out at different stages, i.e. while establishing a relationship; carrying out a financial transaction or when there is a doubt about the authenticity/veracity or the adequacy of the previously obtained Customer Identification data.
  - The Company shall periodically update Customer Identification Data after the transaction is entered. A system of periodic review of risk categorization of transaction or business relationship with such periodicity being at least once in six months and need for applying enhanced due diligence measures shall be put in place.

### **Monitoring of 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 transaction. 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, Special attention will be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose. Company should pay particular attention to the transactions having high risk. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract the attention of Company. Higher risk transaction shall be subjected to intense monitoring. Company shall set key indicators for such transaction basis the background of the customer, country of origin, sources of funds, the type of transactions involved and other risk factors which shall determine the extent of monitoring. Company shall carry out the periodic review of risk categorization of transactions and the need for applying enhanced due diligence measures at a periodicity of not less than once in six months.

### **Risk Management**

The Management of the Company under the supervision of the Board of Directors and the Loan and Risk Committee 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 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 or business relationship.

### **Training Programme**

Company shall have an ongoing employee training programs so that the members of the staff are adequately trained in KYC/ AML/ CFT procedures. Training requirements shall have different focuses for front line staff, compliance staff and officer/ staff dealing with new Customers so that all those concerned fully



understand the rationale behind the KYC Policies and implement them consistently.

### **Internal Control System**

The Company's Internal Audit and Compliance functions will evaluate and ensure adherence to the KYC Policies and procedures. As a general rule, the compliance function will provide an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements. The Management of the Company under the supervision of the Committee shall ensure that the audit function is staffed adequately with skilled individuals. Internal Auditors will specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard shall be put up before the Committee along with their normal reporting frequency. Further, the Company shall have an adequate screening mechanism in place as an integral part of their recruitment/ hiring process of personnel so as to ensure that person of criminal nature/ background do not get an access, to misuse the financial channel.

### **Record Keeping**

- Maintenance of records of transactions: The Company shall maintain proper record of the transactions as required under Section 12 of the PMLA read with Rule 3 of the Prevention of Money Laundering Rules, 2005 (PML Rules) as mentioned below:
  - All cash transactions of the value of more than Rupees Ten Lakhs (Rs. 10, 00, 000/-) or its equivalent in foreign currency, though by policy the Company neither accept cash deposits nor in foreign currency.
  - All series of cash transactions integrally connected to each other which have been valued below Rupees Ten Lakhs (Rs. 10,00,000/-) or its equivalent in foreign currency where such series of transactions have taken place within a month.
  - All transactions involving receipts by non-profit organizations of Rupees ten lakhs or its equivalent in foreign currency.





- 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; any such transactions.
- All suspicious transactions whether or not made in cash and in manner as mentioned in the PML Rules framed by the Government of India under PMLA. An Illustrative List of suspicious transaction pertaining to financial services is given in Annexure IV.
- Records to contain the specified information The Records referred to above in Rule 3 of PML Rules to contain the following information:
  - the nature of the transactions;
  - the amount of the transaction and the currency in which it was denominated;
  - the date on which the transaction was conducted;
  - the parties to the transaction.
- Maintenance and preservation of records Section 12 of PML Act requires the Company to maintain records as under:
  - Maintain all necessary records of transactions between the Company and the Customer, both domestic and international, for at least five years from the date of transaction;
  - Preserve the records pertaining to the identification of the customers and their addresses obtained during the course of Business relationship, for at least five years after the business relationship is ended;
  - Make available the identification records and transaction data to the competent authorities upon request;
  - Company shall take appropriate steps to evolve a system for proper maintenance and preservation of information in a manner (in hard and/or soft copies) that allows data to be retrieved easily and quickly whenever required or as/ when requested by the competent authorities.

### **Appointment of Principal Officer**

Company shall designate a senior employee as 'Principal Officer' (PO) who shall be located at the Head/Corporate office and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the



law. PO shall maintain close liaison with enforcement agencies, NBFCs and any other institution which are involved in the fight against money laundering and CFT.

### **Reporting to Financial Intelligence Unit – India**

The PO shall report information relating to cash and suspicious transactions, if detected, to the Director, Financial Intelligence Unit India (FIUIND) as advised in terms of the PML Rules, in the prescribed formats as designed and circulated by RBI at the following address:

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

The employees of Company shall maintain strict confidentiality of the fact of furnishing/ reporting details of suspicious transactions.

### **GENERAL**

#### **Customer Education**

Company shall educate Customers on the objectives of the KYC programme so that Customer understands and appreciates the motive and purpose of collecting such information. The Company shall prepare specific literature/ pamphlets, terms and conditions etc. so as to educate the Customer about the objectives of the KYC programme. The front desk staff shall be specially trained to handle such situations while dealing with Customers.

#### **Introduction of new technologies**

Company shall pay special attention to any money laundering threats that may arise from new or developing technologies including online transactions that may

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favor anonymity, and take measures, if needed, to prevent their use in money laundering. Company 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.

### **Applicability to Branches and Subsidiaries outside India**

This Policy shall also be applicable to the branches and majority owned subsidiaries located abroad, especially, in countries which do not or insufficiently apply the FATF Recommendations, to the extent local laws permit as and when the Company opens overseas branches. When local applicable laws and regulations prohibit implementation of these guidelines, the same will be brought to the notice of RBI.

### **Termination of Financing/Business Relationship**

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

While the KYC Policy 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**

PO shall, after taking the due approval from the Committee, make the necessary amendments/modifications in the KYC/ AML/ CFT 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.

### **Annexure I**

**Customer Identification Procedure Features to be verified and Documents that may be obtained from Customers**

#### **Individual**

<b>Sr. No.</b>	<b>KYC Document (Officially valid Documents)</b>	<b>Id Proof</b>	<b>Address Proof</b>
1.	PAN Card	Acceptable	Not Acceptable
2.	Driving license	Acceptable	Acceptable
3.	Valid Passport	Acceptable	Acceptable
4.	Aadhaar Card	Acceptable	Acceptable

#### **Note:**

- Provided that where 'simplified measures' are applied for verifying the identity of the customers the following documents shall be deemed to be OVD:
- Provided further that where 'simplified measures' are applied for verifying, for the limited purpose of, proof of address the following additional documents are deemed to be OVDs:
- Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, Water bill);
- Property or Municipal tax receipt;
- Bank account or Post Office savings bank account statement;



### **Submitting 'Officially Valid Documents' - Change in name on account of marriage or otherwise:**

A document shall be deemed to an "officially valid document" 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 a Gazette notification, indicating such a change of name.

Accordingly a copy of marriage certificate issued by the State Government or Gazette notification indicating change in name together with a certified copy of the 'officially valid document' (as indicated above) in the existing name of the person while establishing an account based relationship or while undergoing periodic updation exercise may be accepted

["Simplified procedure" means the procedure for undertaking customer due diligence in respect of customers, who are rated as low risk by the Company and who do not possess any of the six officially valid documents, with the alternate documents as prescribed above]

### **KYC Document for Proprietorship**

Any two of the following documents in the name of the proprietary concern needs to be obtained if the loan is in the name of Proprietorship Firm (Main Applicant)

- Registration certificate;
- Certificate/licence issued by the municipal authorities under Shop and Establishment Act;
- CST/VAT certificate;
- Certificate/registration document issued by Sales Tax/GST/Professional Tax authorities;
- IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT / Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute;



- Latest Utility bills such as electricity, water, and landline telephone bills (should not be more than two months old). Latest Property Tax Receipt and Sale deed also.

### **KYC Document for Companies**

One certified copy of each of the following documents shall be obtained:

- Certificate of incorporation;
- Memorandum and Articles of Association;
- PAN card(Mandatory)
- A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf;
- An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf;
- Certificate/licence issued by the municipal authorities under Shop and Establishment Act;
- CST/VAT certificate;
- Certificate/registration document issued by Sales Tax/GST/Professional Tax authorities;
- IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT / Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute;
- Latest Utility bills such as electricity, water, and landline telephone bills (should not be more than two months old). Latest Property Tax Receipt and Sale deed also.

### **KYC Document for Partnership Firms**

One certified copy of each of the following documents shall be obtained:

- Registration certificate;
- PAN card(Mandatory)
- Partnership deed;
- An officially valid document in respect of the person holding an attorney to transact on its behalf;



- Certificate/licence issued by the municipal authorities under Shop and Establishment Act;
- CST/VAT certificate;
- Certificate/registration document issued by Sales Tax/GST/Professional Tax authorities;
- IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT / Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute;
- Latest Utility bills such as electricity, water, and landline telephone bills(should not be more than two months old). Latest Property Tax Receipt and Sale deed also.

### **KYC Document for Trusts and Foundations**

One certified copy of each of the following documents shall be obtained:

- Registration certificate;
- Trust deed; and
- An officially valid document in respect of the person holding a power of attorney to transact on its behalf.
- PAN card (Mandatory)
- Latest Utility bills such as electricity, water, and landline telephone bills (should not be more than two months old). Latest Property Tax Receipt and Sale deed also.

Note:

- Photograph of the applicant & Co-applicant is mandatory, however digitally captured photograph is acceptable.
- The KYC documents/ Officially Valid documents can be verified by the employees/ representatives/ service providers of OXYZO.
- The customers shall not be required to furnish an additional OVD, if the OVD submitted by the customer for KYC contains both proof of identity and proof of address.
- A customer shall be required to furnish separate proof of current address, if it is different from the address recorded in the OVD. In such cases, the RE



shall merely obtain a declaration from the customer indicating the address to which all correspondence will be made by the RE."The local address for correspondence, for which their proof of address is not available, shall be verified through 'positive confirmation' such as acknowledgment of receipt of letter, cheque books, ATM cards, telephonic conversation, visits to the place, or the like."

- KYCs of all beneficial owners shall be collected which means:
  - Ownership of more than 25% shares in a company or
  - More than 15% of ownership in other forms of entities (LLP / Partnership firms etc).

Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

## ANNEXURE-II

### **Customer Identification Procedure**

The customer identification procedure shall be as follows: Customer shall provide following documents (self-attested) in jpg format:

- Photo Identity Proof - PAN Card
- Permanent Address Proof - Anyone (1) of:
  - Aadhar Card;
  - Passport;
  - Driving License;
  - Voter's Identity Card.





Further where an Individual, who is a resident in the State of Jammu and Kashmir or Assam or Meghalaya, and who does not submit Aadhaar or proof of application of enrollment for Aadhaar, the following shall be obtained:

- certified copy of an OVD containing details of identity and address and
- one recent photograph

If Current Address is different from Permanent Address, then additionally:

- Utility Bill- Electric/landline phone bill/ Gas Bill of current address (not more than 2 months old).
- Leave and License Agreement/Rent Agreement.
- Current Photograph
- Bank Account Statement

### **Verification Process**

- PAN Card shall be verified electronically from Income Tax Website so as to ascertain correctness of PAN Number and corresponding name from Income Tax web site. The said verification may be carried out by the Company itself or through an independent Agency.
- Similarly, AADHAR & Voters ID shall be verified through Independent Agency.
- Utility Bills and Passport will be used to verify address.
- Bank Statement will be used to verify Customer's Account Number with the respective Bank of the Customer.

*All Documents uploaded should be self-certified. Additional documents may be called for, if necessary*



### **ANNEXURE III**

#### **Illustrative List of Suspicious Transaction Pertaining To Financial Services**

Broad categories of reason for suspicion and examples of suspicious transactions for Non- Banking Financial Companies are indicated as under:

- Identity of client:
  - False identification documents
  - Identification documents which could not be verified within reasonable time
  - Accounts opened with names very close to other established business entities.
- Background of Client:
  - Suspicious background or links with known criminals.
- Multiple Accounts:
  - Large number of accounts having a common account holder, introducer or authorized.
- Signatory with no rationale:
  - Unexplained transfers between multiple accounts with no rationale.
- Activity in accounts:
  - Unusual activity compared with past transactions- Sudden activity in dormant accounts;
  - Activity inconsistent with what would be expected from declared business.
- Nature of transactions;
  - Unusual or unjustified complexity;
  - No economic rationale or bonafide purpose;
  - Frequent purchases of drafts or other negotiable instruments with cash;
  - Nature of transactions inconsistent with what would be expected from declared business.
- Value of Transactions:



- Value just under the reporting threshold amount in an apparent attempt to avoid reporting.
- Value inconsistent with the client's apparent financial standing.
- Illustrative list of Suspicious Transactions:
  - Reluctant to part with information, data and documents;
  - Submission of false documents, purpose of loan and detail of accounts;
  - Reluctance to furnish details of source of funds of initial contribution;
  - Reluctance to meet in person, representing through power of attorney;
  - Approaching a distant branch away from own address;
  - Maintaining multiple accounts without explanation;
  - Payment of initial contribution through unrelated third party account;
  - Suggesting dubious means for sanction of loan;
  - Where transactions do not make economic sense;
  - Where doubt about beneficial ownership;
  - Encashment of loan through a fictitious bank account;
  - Sale consideration quoted higher or lower than prevailing area prices;
  - Request for payment in favor of third party with no relation to transaction;
  - Usage of loan amount for purposes other than stipulated in connivance with vendors, or agent;
  - Multiple funding involving NGO, Charitable organization, small and medium establishments, self-help groups, micro finance groups, etc;
  - Frequent request for change of address;
  - Over-payment of installments with a request to refund the overpaid amount