

VSJ INVESTMENTS PRIVATE LIMITED
POLICY ON KNOW YOUR CUSTOMER (KYC) AND ANTI-
MONEY LAUNDERING (AML)

Version	Updates	Reviewed Date	Approved by
2024	Policy on Know Your Customer (KYC) and Anti Money Laundering (AML)	21/05/2024	Board of Directors

Introduction

'Know Your Customer' (KYC) Guidelines – Anti Money Laundering Standards:

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, **VSJ Investments Private Limited (“the 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 adoption of KYC and AML measures are formulated in line with the prescribed RBI guidelines in terms of RBI Master Direction - Know Your Customer (KYC) Direction, 2016 DBR.AML.BC.No81/14.01.001/2015-16 dated February 25, 2016 (as amended from time to time) and duly approved by its Board (“Board /Committee”).

Objective:

The objective of KYC guidelines is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable the Company to know/understand the customers and their financial dealings better which in turn help us to manage the risks prudently.

The Company has framed the KYC policies incorporating the following four key elements:

- (i) Customer Acceptance Policy
- (ii) Customer Identification Procedures
- (iii) Monitoring of Transactions
- (iv) Risk management.

Definition:

For the purpose of KYC policy, a 'Customer' may be defined as:

- a 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)
- beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted under the law, and
- any person or entity connected with a financial transaction which can pose significant reputational or other risks to the bank, say, a wire transfer or issue of a high value demand draft as a single transaction

Scope:

- This policy is applicable to all employees and customers of the Company.

Definitions

- i. **Aadhar number**” shall have the meaning assigned to it in clause (a) of section 2 of the Aadhar(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. **Authentication**”, in the context of **Aadhar** authentication, means the process as defined under sub-section (c) of section 2 of the **Aadhar** (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.
- iv. **Beneficial Owner (BO)**
 - a. Where the **customer is a company**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has/have a controlling ownership interest or who exercise control through other means.
- v. **“Central KYC Records Registry” (CKYCR)** means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.
- vi. **“Designated Director”** means a person designated by the Company to ensure overall compliance with the obligations imposed under chapter IV of the Prevention of Money-Laundering Act, 2002 (PML Act) and the Rules.
- vii. **“Digital KYC”** means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the Company as per the provisions contained in the Act.
- viii. **“Digital Signature”** shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000 (21 of 2000).
- ix. **Equivalent e-document**” means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.
- x. **Know Your Client (KYC) Identifier**” means the unique number or code assigned to a customer by the Central KYC Records Registry.
- xi. **Non-profit organisations” (NPO)** means any entity or organisation that is registered as a trust or a society under the Societies Registration Act, 1860 or any similar State legislation or a company registered under Section 8 of the Companies Act, 2013.
- xii. **“Officially Valid Document” (OVD)** means:
 - 1. Passport,
 - 2. Driving licence,
 - 3. Proof of possession of Aadhar number
 - 4. Voter's Identity Card issued by the Election Commission of India
 - 5. Job card issued by NREGA duly signed by an officer of the State Government
 - 6. Letter issued by the National Population Register containing details of name and address.

Provided that,

a. where the customer submits his proof of possession of Aadhar number as an OVD, he/she may submit it in such form as are issued by the Unique Identification Authority of India (UIDAI).

b. where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVDs for the limited purpose of proof of address:-

i. utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);

ii. Property or Municipal tax receipt;

iii. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;

iv. letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation;

c. the customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'b' above.

xiii. **Offline verification** shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016).

xiv. **"Person"** has the same meaning assigned in the Act and includes:

- a. an individual,
- b. a Hindu undivided family,
- c. a company,
- d. a firm,
- e. an association of persons or a body of individuals, whether incorporated or not,
- f. every artificial juridical person, not falling within any one of the above persons (a to e), and
- g. any agency, office or branch owned or controlled by any of the above persons (a to f).

xv. **"Principal Officer"** means an officer nominated by the Company, responsible for furnishing information as per rule 8 of the Rules.

xvi. **"Transaction"** means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:

- a. opening of an account;
- b. deposit, 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;
- c. the use of a safety deposit box or any other form of safe deposit;
- d. entering into any fiduciary relationship;

e. any payment made or received, in whole or in part, for any contractual or other legal obligation; or

f. establishing or creating a legal person or legal arrangement.

xv. **“Video based Customer Identification Process (V-CIP)”**: an alternate method of customer identification with facial recognition and customer due diligence by an authorised official of the Company by undertaking seamless, secure, live, informed-consent based audio-visual interaction with the customer to obtain identification information required for CDD purpose, and to ascertain the veracity of the information furnished by the customer through independent verification and maintaining audit trail of the process. Such processes complying with prescribed standards and procedures shall be treated on par with face-to-face CIP.

b). Terms bearing meaning assigned, unless the context otherwise requires, shall bear the meanings assigned to them below:

i. **“Common Reporting Standards” (CRS)** means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters.

ii. **“Customer”** means a person who is engaged in a financial transaction or activity with the Company and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

iii. **“Walk-in Customer”** means a person who does not have an account-based relationship with the Company, but undertakes transactions with the Company. -

iv. **“Customer Due Diligence (CDD)”** means identifying and verifying the customer and the beneficial owner.

v. **“Customer identification”** means undertaking the process of CDD.

viii. **“KYC Templates”** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.

ix. **“Non-face-to-face customers”** means customers who open accounts without visiting the branch/offices of the Company or meeting the officials of the Company

x. **“On-going Due Diligence”** means regular monitoring of transactions in accounts to ensure that they are consistent with the customers’ profile and source of funds.

xi. **“Periodic Updation”** means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the Reserve Bank.

xii. **“Politically Exposed Persons” (PEPs)** are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.

xiii. **“Regulated Entities” (REs)** means

a. All Scheduled Commercial / Regional Rural Banks (RRBs)/ Local Area Banks (LABs)/ All Primary (Urban) Co-operative Banks (UCBs) /State and Central Co-operative Banks/ All India Financial Institutions (AIFIs)/ All Non-Banking Finance Companies (NBFCs), Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non- Banking Companies (RNBCs)/ All Payment System Providers (PSPs)/ System Participants (SPs) and Prepaid Payment Instrument Issuers (PPI Issuers) / All

authorised persons (APs) including those who are agents of Money Transfer Service Scheme (MTSS), regulated by the Regulator.

xiv. **“Wire transfer”** means a transaction carried out, directly or through a chain of transfers, on behalf of an originator person (both natural and legal) through a bank by electronic means with a view to making an amount of money available to a beneficiary person at a bank.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Act, Rules and RBI Directions, as the case may be

General:

Know Your Customer (KYC) policy duly approved by the Board of Directors of the Company.

1. The KYC policy shall include following four key elements:

- (a) Customer Acceptance Policy
- (b) Risk Management
- (c) Customer Identification Procedures (CIP)
- (d) Monitoring of Transactions

2. Money Laundering and Terrorist Financing Risk Assessment by the Company:

The customer segment of the Company are low-income households involved in business activities and services which are visible, verifiable and have limited turnover from the lower economic layers of society and hence, they are treated as low-risk clients. The Company shall ensure compliance with all provisions relating to Client Due Diligence as made applicable from time to time under the Act, Rules and RBI Directions.

3. Designated Director:

A “Designated Director” means a person designated by the Company 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.

4. Principal Officer:

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

5. Compliance of KYC policy

(a) The Company 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 the Company policies and procedures, including legal and regulatory requirements.
- (iv) Concurrent /internal audit system to verify the compliance with KYC/AML policies and procedures wherever applicable.
- (v) Submission of quarterly audit notes and compliance to the Audit Committee wherever applicable.

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

Customer Acceptance Policy:

1. The Company shall frame a Customer Acceptance Policy.
2. Without prejudice to the generality of the aspect that Customer Acceptance Policy may contain, the Company shall ensure that:
 - (a) No account is opened in anonymous or fictitious/benami name.
 - (b) No account is opened where the Company is unable to apply appropriate Customer Due Diligence (CDD) measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.
 - (c) No transaction or account-based relationship is undertaken without following the Customer Due Diligence (CDD) procedure.
 - (d) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
 - (e) 'Optional'/additional information, is obtained with the explicit consent of the customer after the account is opened.
 - (f) The Company shall apply the Customer Due Diligence (CDD) procedure at the UCIC level. Thus, if an existing KYC compliant customer of the Company desires to open another account, there shall be no need for a fresh CDD exercise.
 - (g) Customer Due Diligence (CDD) Procedure is followed for all the joint account holders, while opening a joint account.
 - (h) Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
 - (i) Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.
 - (j) Wherever Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
 - (k) Where an equivalent e-document is obtained from the customer, the Company shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
3. Customer Acceptance Policy shall not result in denial of banking/financial facility to members of the general public, especially those, who are financially or socially disadvantaged.

Risk Management:

For Risk Management, the Company shall have a risk based approach which includes the following.

- (a) Customers shall be categorized as low, medium and high risk category, based on the assessment and risk perception of the Company.
- (b) Risk categorization shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the customer's business and their location etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in

Low Risk: Individuals whose identities and sources of income can be easily identified and transactions in whose accounts by and large confirm to the known profile.

Medium Risk: Individuals whose identities cannot be easily ascertained, have no documents to provide with respect to their current place of residence, sources of income are difficult to assess, and the living conditions of the family is beyond the visible sources of income shall fall in this category.

High Risk: Non-resident customers, high net worth individuals, trusts, charities, NGOs and organizations receiving donations, non-face to face customers and those with dubious reputation as per public information available etc., shall fall in this category.

(c) There are various internal checks to avoid any Risk and to prevent from fraudulent activity.

(d) The Company devise procedures in consultation with boards 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) The company ensure that their customers are following the anti money laundering policies and procedures and it applies enhanced 'due diligence' procedures for transactions carried out through the correspondent accounts.

Customer Identification Procedure (CIP)

1. The Company shall undertake identification of customers in the following cases:

(a) Commencement of an account-based relationship with the customer.

(b) Carrying out any international money transfer operations for a person who is not an account holder of the bank.

(c) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.

(d) Selling third party products as agents, selling own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than rupees fifty thousand. and other relevant partnerships.

(e) Carrying out transactions for a non-account-based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.

(f) When the Company has reason to believe that a customer (account- based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.

(g) The Company shall ensure that introduction is not to be sought while opening accounts/ loan origination.

2. For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, the Company, shall at the option, rely on customer due diligence done by a third party, subject to the following conditions:

(a) Records or the information of the customer due diligence carried out by the third party is obtained within two days of receiving the document from the third party or from the Central KYC Records Registry.

(b) Adequate steps are taken by the Company to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence

requirements shall be made available from the third party upon request without delay.

(c) The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.

(d) The third party shall not be based in a country or jurisdiction assessed as high risk.

(e) The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the Company.

Customer Due Diligence (CDD) Procedure

For undertaking Customer Due Diligence (CDD), the Company shall obtain the following from an individual and other eligible entities while establishing an account-based relationship or while dealing with the individual who is a beneficial owner, authorized signatory or the power of attorney holder related to any legal entity:

Prescribed KYC documents of the customer, includes Aadhar number, wherever applicable, either in physical or electronic form, for authentication or offline verification, or in such other form as may be notified, in such manner as may be specified by the Regulations under the Aadhar Act, 2016, from time to time, as detailed below:

Digital/ Original/ Photocopy of any of the following photo IDs:

Features	Documents
Accounts of individuals	
-Legal name and any other names used	(i) Aadhar Card (ii)Passport (iii) PAN card (iv) Voter's Identity Card (v) Driving licence (vi) Identity card (subject to the company's satisfaction) (vii) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of company.
-Correct permanent address	(i) Aadhar Card (ii) Telephone bill (iii) Bank account statement (iv) Letter from any recognized public authority (v) Electricity bill (vi) Ration card (vii) Letter from employer (subject to satisfaction of the company) (any one document which provides customer information to the satisfaction of the company will suffice)

Accounts of companies - Name of the company - Principal place of business - Mailing address of the company - Telephone/Fax Number	(i) Certificate of incorporation and Memorandum & Articles of Association (ii) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account (iii) Power of Attorney granted to its managers, officers or employees to transact business on its behalf (iv) Copy of PAN allotment letter (v) Copy of the telephone bill.
Accounts of partnership firms - Legal name - Address - Names of all partners and their addresses - Telephone numbers of the firm and partners	(i) Registration certificate, if registered (ii) Partnership deed (iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf (iv) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses (v) Telephone bill in the name of firm/partners
Accounts of trusts & foundations - Names of trustees, settlers, beneficiaries and signatories - Names and addresses of the founder, the managers/directors and the beneficiaries - Telephone/fax numbers	(i) Certificate of registration, if registered (ii) Power of Attorney granted to transact business on its behalf (iii) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/ directors and their addresses (iv) Resolution of the managing body of the foundation/association (v) Telephone bill.

On-going Due Diligence

The Company 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.

Periodic Updation:

The Company shall adopt a risk-based approach for periodic updation of KYC. However, periodic updation shall be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers from the date of opening of the account / last KYC updation – or where there is a change to name or address, whichever is sooner.

Policy in this regard shall be documented as part of the Company's internal KYC policy duly approved by the Board of Directors of Company or any committee of the Board to which power has been delegated.

Customer and staff education program

1. Staff are well trained to process the KYC procedure and also educate customer from time to time.
2. The customers are educated about the KYC process and their importance.
3. The frontline investment and lending and operating managers shall be fully equipped with the compliance requirements of KYC guidelines in respect of new customer acquisition and shall adhere to the Customer Identification & Acceptance procedure as above.