

## **SFI FINANCIAL SERVICES PRIVATE LIMITED**

### **POLICY ON KNOW YOUR CUSTOMER (KYC) AND ANTI MONEY LAUNDERING(AML) GUIDELINES**

SFI Financial Services Private Limited is a private limited company incorporated under the provisions of the Companies Act, 2013 and is an NBFC –Type II ND, registered with the Reserve Bank of India. The policy has been formulated pursuant to the Guidelines issued by the Reserve Bank of India from time to time on ‘Know your Customer’ and is duly approved by the Board of SFI Financial Services Pvt Ltd. The guidelines shall also apply to the branches of SFI Financial Services Pvt Ltd.

Objective of RBI guidelines is to prevent NBFCs being used, intentionally or unintentionally by criminal elements for money laundering activities. The guidelines also mandates making reasonable efforts to determine the true identity and beneficial ownership of accounts, source of funds, the nature of customer’s business, reasonableness of operations in the account in relation to the customer’s business, etc. which in turn helps the Company to manage its risks prudently. Accordingly, the main objective of this policy is to enable the Company to have positive identification of its customers.

Key Elements:

1. Customer Acceptance Policy
2. Customer Identification Procedure
3. Monitoring of Transactions.
4. Risk Management

#### **Customer Acceptance Policy**

SFI Financial Services Pvt Ltd shall follow the following Customer Acceptance Policy while dealing with the customers.

- a. No account is opened in anonymous or fictitious/benami name.
- b. No account is opened where the RE is unable to apply appropriate CDD (Customer Due Diligence) 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 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. SFI Financial Services Pvt Ltd shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of a RE desires to open another account with the same RE, there shall be no need for a fresh CDD exercise.
- g. 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. The customer profile contains information relating to customer's identity, social/financial status, nature of business activity, information about his clients' business and their location etc. The nature and extent of due diligence will depend on the risk perceived by the Company. However, while preparing customer profile the Company will 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 will not be divulged for cross selling or any other purpose.
- k. The intent of the Policy is not to result in denial of financial services to general public, especially to those, who are financially or socially disadvantaged. While carrying out due diligence, the Company will ensure that the procedure adopted does not result in denial of services to any genuine customers.

It will also be ensured that the 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.

### **Customer Identification Procedure (CIP)**

SFI Financial Services Pvt Ltd. will undertake identification of customers in the following cases:

- a. Commencement of an account-based relationship with the customer.
- b. When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.

The customer identification will be through existing customers, staff members or on the basis of documents provided by the customer as evidence for his identification and proof of his residence. Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. SFI Financial Services Pvt Ltd. will obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph.

### **Customer Education**

The Company takes adequate measures to educate the customer on the objectives of the KYC programme, especially at the time of obtaining sensitive or personal information from the customers. Wherever we desire to collect any information about the customer for the purpose other than KYC requirement, it will not form part of the loan application. Such information is being collected separately, purely on a voluntary basis in a form prescribed by Company after explaining the objective to the customer and taking the customer's express approval for the specific uses to which such information could be put.

The front desk staffs are specially trained to handle such situations while dealing with customers. The Company takes care to see that implementation of the KYC guidelines in respect of customer acceptance, identification etc. do not result in denial of opening of new loan accounts to general public.

### **Monitoring of transactions**

Ongoing monitoring is an essential element of effective KYC procedures. The Company can effectively control and reduce the risk only if it has an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk sensitivity of the account. The different business divisions should pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. High-risk accounts have to be subjected to intensified monitoring.

### **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) 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.(b) An account where there are several cash transactions below a specified threshold level to avoid filing of reports that may be necessary in case of transactions above the threshold level, as the customer intentionally splits the transaction into smaller amounts for the purpose of avoiding the threshold limit.
- Certain Employees of the Company arousing suspicion: (a) An employee whose lavish lifestyle cannot be supported by his or her salary. (b) Negligence of employees/willful blindness is reported repeatedly.
- Some examples of suspicious activities/transactions to be monitored by the operating staff: (a)Multiple accounts under the same name or refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc; (b) There are reasonable doubts over the real beneficiary of the loan or frequent requests for change of address

### **Risk Management**

For Risk Management, SFI Financial Services Pvt Ltd has the following parameters

- a. Customers shall be categorized as low, medium and high risk category, based on the assessment and risk perception of SFI Financial Services Pvt Ltd.
- b. Risk categorization shall be undertaken by the Credit Manager based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the clients' 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.

## **Risk Categorization**

The Company shall have a system in place for periodical updation of customer identification data after the account is opened. Full KYC exercise will be done at a periodicity not less than once in ten years in case of low risk category customers, not less than once in eight years in case of medium risk category customers and not less than once in two years in case of high risk category customers.

Low risk category customers need not submit fresh proofs of identity and address at the time of periodic updation, in case of no change in status with respect to their identities and addresses and a self-certification by the customer to that effect shall suffice in such cases. In case of change of address of such 'low risk' customers, they can forward a certified copy of proof of address by mail/post, etc.

## **IDENTIFICATION**

CDD Procedure: SFI Financial Services Pvt Ltd. shall obtain the following information from an individual/Sole Proprietor while establishing an account based relationship with.

**Individual** – (a). Aadhaar Number (b) Permanent Account Number (PAN) (c) Two recent photograph (d) Passport (e) Voter's Identity Card (f) Driving License (g) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of the Company. The information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.

**Proprietary Firms** – (a). Aadhaar Number (b) Permanent Account Number (PAN) (c) Registration Certificate (d) Certificate/licence issued by the municipal authorities under Shop and Establishment Act. (e) Sales and income tax returns. (f). CST/VAT/ GST certificate (provisional/final). (g)Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities. (h)Complete Income Tax Return (not just the acknowledgment) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities. (i)Utility bills such as electricity, water, and landline telephone bills (j) Telephone/Fax number/E-mail ID; (k) Recent color photograph

## **VERIFICATION**

SFI Financial Services Pvt Ltd will ensure correct identity of the customer through various sources as elaborated below before any transaction with the customer.

- 1 Verification through documents: These documents may include, but are not limited to the list of documents that can be accepted as proof of identity and address from customers by the Company. These are appropriately covered in the Credit Policy of the Company. The Company also accepts physical Aadhaar card / letter issued by UIDAI containing details of name, address and Aadhaar number received through post is also accepted as an 'Officially Valid Document'.

- 2 Verification through non-documentary methods: Indeed the Company mainly depend upon this method: (a) Contacting or visiting a customer; (b) Independently verifying the customer's identity through the comparison of information provided by the customer with information obtained from a consumer reporting agency, public database, or other source; (c) Checking references with other financial institutions; or (d) Obtaining a financial statement.
- 3 Additional verification procedures. The business process verification procedures of the Company also address the following situations where: (a) A person is unable to present an unexpired government-issued identification document that bears a photograph or similar safeguard; (b) The sales executive is not familiar with the documents presented; (c) Where the sales executive is otherwise presented with circumstances that increase the risk that it will be unable to verify the true identity of a customer through documents; and (d) If the sales executive cannot verify the identity of a customer that is other than an individual, it may be necessary to obtain information about persons with authority or control over such account, including signatories, in order to verify the customer's identity. The Credit Head along with Sales Head, advise the credit managers to make a personal visit to entangle the situation. The Company will not do any transactions with non-face-to-face customers.

### **MAINTENANCE OF RECORDS OF TRANSACTIONS & IDENTITY**

As unlikely as it will be in the Company's case, due to its focus on lower income families, the company has a system of maintaining proper record of transactions prescribed under Rule 3, of the Prevention of Money-Laundering and value of transactions, the procedure and manner of maintaining and verification and maintenance of records of the identity of the clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, as mentioned below: all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign (a) currency all series of cash transactions integrally connected to each other which have been valued below (b ) rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh all cash transactions, where forged or counterfeit currency notes or bank notes have been used (c )as genuine and where any forgery of a valuable security has taken place all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

Information to be preserved:

As per the RBI guidelines, the company maintains the following information in respect of transactions referred to in Rule 3 the nature of the transactions (a) the amount of the transaction and the currency in which it was denominated(b) the date on which the transaction was conducted; (c) the parties to the transaction.

Maintenance and Preservation of records:

The company has a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. The company will maintain for at least five years from the date of cessation of transaction between the company and the customer, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity. The company also ensures that records pertaining to the identification of the customer and his / her address (e.g. copies of documents like passports, identity

cards, driving licenses, PAN, utility bills etc.) obtained while opening the loan account and during the course of business relationship, are properly preserved for at least five years after the business relationship is ended. The identification records and transaction data will be made available to the competent authorities upon request.

### **ENHANCED DUE DILIGENCE**

Enhanced due diligence is in the nature of keeping the account monitored closely for a re-categorization of risk, updation of fresh KYC documents, field investigation or visit of the customer, etc., which forms part of the credit policies of the businesses.

The company is primarily engaged in MSME finance. It does not deal with such category of customers who could pose a potential high risk of money laundering, terrorist financing or political corruption and are determined to warrant enhanced scrutiny. The existing credit policies of the company in respect of its various businesses ensure that the company is not transacting with such high risk customers.

The company shall conduct Enhanced Due Diligence in connection with all customers or accounts that are determined to pose a potential high risk and are determined to warrant enhanced scrutiny. The company has established appropriate standards, methodology and procedures for conducting Enhanced Due Diligence, which shall involve conducting appropriate additional due diligence or investigative actions beyond what is required by standard KYC due diligence. Enhanced Due Diligence shall be coordinated and performed by the company.

The following are the indicative list where the risk perception of a customer which is considered higher:

- i. Customers requesting for frequent change of address/contact details
- ii. Sudden change in the loan account activity of the customers
- iii. Frequent closure and opening of loan accounts by the customers

### **APPOINTMENT OF DESIGNATED DIRECTOR / PRINCIPAL OFFICER**

Mr. V Sasiraman, DIRECTOR will be the Designated Director who is responsible for ensuring overall compliance as required under PMLA Act and the Rules.

Mrs. VIDYA SASIRAMAN CEO is designated as Principal Officer who shall be responsible for furnishing of information to FIU-IND.

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

In terms of the PMLA rules, SFI Financial Services Pvt Ltd. will ensure that the provisions of PMLA Rules and the Foreign Contribution and Regulation Act,1976, wherever applicable are adhered to strictly. SFI Financial Services Pvt Ltd. 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,**

**6 th Floor, Hotel Samrat,**

**Chanakyapuri, New Delhi-110021**