JAI KRISHAN FINLEASE PVT LIMITED

KYC & ANTI-MONEY LAUNDERING POLICY

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Jai Krishan Finlease Pvt Ltd

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The Reserve Bank of India vide its Master Direction DBR. AML. BC. No. 81/14.01.001/2015-16 dated February, 2016 (as updated till October 17, 2023) has issued comprehensive guidelines on Know Your Customer (KYC) norms and Anti-Money Laundering (AML) standards ("RBI Guidelines" or "RBI Master Direction") and has advised all NBFCs to ensure that a proper policy framework on KYC and AML measures be formulated and put in place with the approval of the Board. The objective of RBI Guidelines is to prevent NBFCs being used, intentionally or unintentionally by criminal elements for money laundering activities. The RBI Guidelines also mandate making reasonable efforts to determine the 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. This policy is applicable to all categories of products and services offered by the Company.

1 DEFINITIONs:

For the purpose of this policy,

(a) **"Customer"** is defined as a person who is engaged in a financial transaction or activity with JKFPL and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

(b) The beneficial owner as defined in **Annexure 1**.

(c) **"Designated Director"** means a person designated and nominated by the Board of JKFPL to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall for a company would be the Managing Director or a whole-time Director, duly authorized by the Board of Directors.

(d) "**Non-profit organisations** or "**NPO**" means any entity or organisation, constituted for religious or charitable purposes referred to in clause (15) of section 2 of the Income-tax Act, 1961 (43 of 1961), 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 (18 of 2013)

(e) "**Principal Officer**" means an officer at the management level nominated by the Board of JKFPL, responsible for furnishing information as per Rule 8 of the Rules.

(f) "**Politically Exposed Person**" or **"PEPs"** means individuals who are or have been entrusted with prominent public functions by a foreign country, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials are individuals who are or have been entrusted with prominent public functions, e.g., Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.

(h) "**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 on-physical means;

(c) the use of a safety deposit or any other form of sale 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.

(i) **"Money laundering":** Section 3 of the Prevention of Money Laundering [PML] Act 2002 has defined the 'offence of money laundering' as under:

"Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is involved in any process or activity connected with the proceeds of crime including its concealment, possession, acquisition or use and projecting it as untainted property shall be guilty of offence of 'money laundering.'"

(ii) "**Certified Copy"** - Obtaining a certified copy shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid document so produced by the customer with the original and recording the same on the copy by the authorised officer as per the provisions contained in the Act.

Provided that in case of Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs), as defined in Foreign Exchange Management (Deposit) Regulations, 2016 {FEMA 5(R)}, alternatively, the original certified copy, certified by any one of the following, may be obtained:

- authorised officials of overseas branches of Scheduled Commercial Banks registered in India,
- branches of overseas banks with whom Indian banks have relationships,
- Notary Public abroad,
- Court Magistrate,
- Judge,
- Indian Embassy/Consulate General in the country where the non-resident customer resides.

(iii) "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.

(iv) "**Know Your Client (KYC) Identifier**" means the unique number or code assigned to a customer by the Central KYC Records Registry.

(v) "**Officially Valid Document**" or "**OVD**" means the passport, the driving license, proof of possession of Aadhaar number, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address.

Explanation: For the purpose of above clause, a document shall be deemed to be an OVD 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 Gazette notification, indicating such a change of name.

(vi) "**Senior Management**" means Officers who are part of Managing Committee and Key Managerial Personnel of the Company.

2 OBJECTIVES

- To enable JKFPL to know/understand the customers and their financial dealings better, which in turn would help JKFPL to manage risks prudently.
- To prevent JKFPL from being used, intentionally or un-intentionally, by criminal elements for money laundering activities.
- To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.
- To comply with applicable laws and regulatory guidelines.
- To take necessary steps to ensure that the relevant staff are adequately trained in KYC/AML procedures.

2.A RESPONSIBILITY

Senior Management of the Company ensures compliance with this policy.

3 MONEY LAUNDERING AND TERRORIST FINANCING RISK ASSESSMENT

a) JKFPL carries out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise at the time of onboarding the customer and periodically thereafter to identify, assess and take effective measures to mitigate money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc. The Company has a separate Policy on ML / FT Risk Assessment and the same will need to be adhered to.

b) Risk assessment of customers is presented to the Board annually.

To fulfil the Objectives as referred above, the following four key elements are incorporated into this Policy:

(i) Customer Acceptance Policy;

(ii) Customer Identification Procedure;

(iii) Monitoring of Transactions; and

(iv) Risk Management

4 CUSTOMER ACCEPTANCE POLICY (CAP)

The elements of CAP in JKFPL's KYC policy are as given below:

Explicit criteria for acceptance of customers:

a) No account to be opened in anonymous or fictitious / benami name(s).

b) No account to be opened where JKFPL 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 to be undertaken without following the CDD procedure of identifying and verifying the customer and the beneficial owner using reliable and independent sources of identification.

d) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, to be specified.

e) Optional/additional information to be obtained with the explicit consent of the customer after the account is opened/in this Policy.

f) CDD procedure will be applied at the 'Unique Customer Identification Code' (UCIC) level. Thus, if an existing KYC compliant customer of JKFPL desires to open another account with JKFPL, there shall be no need for fresh CDD exercise.

g) CDD procedure to be 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 would be clearly spelt out in the relevant document supporting it.

i) identity of the customer does not match with any person or entity, whose name appears in the sanctions lists etc.

j) JKFPL would keep the customer profile as confidential, and details contained therein shall not be divulged for cross selling or any other purposes without the concurrence of the customer.

k) Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.

l) Where an equivalent e-document is obtained from the customer, digital signature is to be verified as per the provisions of the Information Technology Act, 2000 (21 of 2000).

m) Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.

n) JKFPL shall consider filing an STR, if necessary, when it is unable to comply with the relevant CDD measures in relation to the customer.

It may be noted that the CAP shall not result in denial of banking/financial facility to members of the general public, especially those, who are financially or socially disadvantaged.

Where employees of JKFPL forms a suspicion of money laundering or terrorist financing, and it reasonably believes that performing the CDD process will tip-off the customer, it shall not pursue the CDD process, and instead file an STR with FIU-IND.

5 CUSTOMER IDENTIFICATION PROCEDURE

Customer identification means identifying the customer and verifying his / her identity by using reliable, independent source documents, data or information. JKFPL needs to obtain sufficient information necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship. Being risk perception, the nature of information / documents required would also depend on the type of the customer (individual, corporate, trust etc.)

JKFPL undertakes identification of customers in the following cases as applicable:

a) While establishing a business relationship
b) When there is a doubt about the authenticity or adequacy of the previously obtained customer identification data.
c) Selling third party products as agents, selling their 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
d) 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.
e) When JKFPL 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.
f) understand the nature of the customer's business, and its ownership and control. Determining whether a customer is acting on behalf of a beneficial owner, and identifying the beneficial owner and taking all steps to verify the identity of the beneficial owner, using reliable and independent sources of identification.
g) JKFPL shall ensure that introduction is not to be sought while opening accounts.

For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, JKFPL may rely on customer due diligence done by a third party, subject to the conditions that:

a) Records the information of the customer due diligence carried out by the third party is obtained immediately from the third party or from the Central KYC Records Registry.

b) the Company takes adequate steps to satisfy itself 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 JKFPL.

f) If an existing KYC compliant customer desires to open another account, there shall be no need for a fresh KYC exercise.

g) In all cases where the amount involved is Rs. 50,000/- or more, Permanent account number (PAN) of customers must be obtained and verified while undertaking transactions and/or opening of account. Form 60 shall be obtained from persons who do not have PAN.

While undertaking customer identification, it is ensured that decision-making functions of determining compliance with KYC norms is not outsourced.

An indicative list of the nature and type of documents/information that may be relied upon for customer identification is given in **Annexure – 2.**

When JKFPL has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data, the company may further demand data as follows:

a) For customers that are natural persons, 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 legal status of the legal person/entity would be verified through proper and relevant documents. For any person purporting to act on behalf of the legal person/entity, it would be verified whether he is so authorized and his identification will also be verified. The ownership and control structure of the customer would be understood so as to determine who the natural persons are and who ultimately control the legal person.

b) Customer identification requirements in respect of a few typical cases, especially legal persons requiring an extra element of caution are given in **Annexure – 1.**

6 RISK MANAGEMENT

For risk management, JKFPL has a risk-based approach which includes the following:

a) Customers shall be categorised as low, medium and high-risk category, based on the assessment and risk perception of the company.

b) To the extent applicable to business segment of JKFPL, Risk categorisation shall be undertaken based on parameters such as

   i. Customer's identity, social/financial status, nature of business activity, and information about the clients' business and their location, geographical risk covering customers as well as transactions covering customers as well as transactions, type of products/services offered, delivery channel used for delivery of products/services, types of transaction undertaken – cash, cheque/monetary instruments, wire transfers, forex transactions, 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.

   ii. JKFPL shall collect other information from different categories of customers relating to the perceived risk, in a non-intrusive manner in terms of Policy on ML/ FT Risk Assessment. The risk categorisation of a customer and the specific reasons for such categorisation shall be kept confidential and shall not be revealed to the customer to avoid tipping off the customer.

JKFPL ensures that an effective **KYC program** is in place with established procedures as described above. The key steps in this regard are:

- The Company to strictly comply with the laid down policies on accounting, lending, recovery etc.
- The auditors auditing the Company to thoroughly check the application of KYC norms in the Company/its branches and comment on the lapses observed in this regard. Compliance on KYC norms by the Company will be reviewed on regular intervals and placed before the Board.
- The Head Operations ensures that all the frontline staff members are kept well informed of the KYC norms and procedures for implementation. JKFPL ensures that there is proper system of fixing accountability for serious lapses and intentional circumvention of prescribed procedures and guidelines.
- JKFPL has an ongoing employee training programme so that the members of the staff and the new joinees are adequately trained in KYC procedures. It would be crucial that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

  JKFPL puts in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures in case of higher risk perception on a customer. Such review of risk categorization of high-risk customers will be carried out at a periodicity of not less than once in six months.

JKFPL may adopt a risk-based approach for periodic updation of KYC ensuring that the information or data collected under CDD is kept up-to-date and relevant, particularly where there is high risk. Periodic updation shall be carried out at least once in every two years for high-risk customers (in cases where the customer becomes a high-risk customer), once in every eight years for medium risk customers and once in every ten years for low risk customers as per the following procedure:

c) JKFPL carries out:

(i) Customer Due Diligence (CDD) at the time of periodic updation. However, in case of low risk individual customers when there is no change in status with respect to their identities and addresses, a self-certification to that effect shall be obtained through customer's email-id registered with JKFPL, customer's mobile number registered with JKFPL, digital channels such mobile application letter, etc. and declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables, etc. In case of change of address copy of OVD for the purpose of proof of address, declared by the customer at the time of periodic updation shall be obtained

(ii) In case of customers other than individuals:

- No change in KYC information: In case of no change in the KYC information of the legal entity (LE) customer, self-certification to that effect is obtained through customer's email-id registered with JKFPL, customer's mobile number registered with JKFPL, digital channels such mobile application, letter from an official authorized in this regard, board resolution, etc. Further JKFPL ensures during this process that Beneficial Ownership (BO) information available with them is accurate and shall update the same, if required, to keep it as up-to-date as possible.
- Change in KYC information: In case of change in KYC information, JKFPL undertakes the KYC process equivalent to that applicable for onboarding a new LE customer.
- Additional measures: In addition to the above, JKFPL ensures that, i. The KYC documents of the customer as per the current CDD standards are available with it. This is applicable even if there is no change in customer information but the documents available with JKFPL are not as per the current CDD standards. Further, in case the validity of the CDD documents available with JKFPL has expired at the time of periodic updation of KYC, JKFPL undertakes the KYC process equivalent to that applicable for on-boarding a new customer. ii. Customer's PAN details, if available with JKFPL, is verified from the database of the issuing authority at the time of periodic updation of KYC. iii. Acknowledgment is provided to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out periodic updation. Further, it is ensured that the information / documents obtained from the customers at the time of periodic updation of KYC are promptly updated in the records / database of JKFPL and an intimation, mentioning the date of updation of KYC details, is provided to the customer.

a) JKFPL advises its customers that in order to comply with the PML Rules, in case of any update in the documents submitted by the customer at the time of establishment of business relationship / account-based relationship and thereafter, as necessary, customers shall submit to JKFPL the update of such documents. This shall be done within 30 days of the update to the documents for the purpose of updating the records at JKFPL's end.

In case of existing customers, JKFPL obtains the Permanent Account Number or equivalent e-document thereof or Form No. 60, by such date as may be notified by the Central Government, failing which JKFPL temporarily ceases operations in the account till the time the Permanent Account Number or equivalent e-documents thereof or Form No. 60 is submitted by the customer. Provided that before temporarily ceasing operations for an account, JKFPL gives the customer an accessible notice and a reasonable opportunity to be heard. Provided further that if a customer having an existing account- based relationship with JKFPL gives in writing to JKFPL that he/she does not want to submit his Permanent Account Number or equivalent e-document thereof or Form No.60, JKFPL closes the account and all obligations due in relation to the account are appropriately settled after establishing the identity of the customer by obtaining the identification documents as applicable to the customer. Explanation – For the purpose of this Section, "temporary ceasing of operations" in relation an account means the temporary suspension of all transactions or activities in relation to that account by JKFPL till such time the customer complies with the provisions of this Section. In case of asset accounts such as loan accounts, for the purpose of ceasing the operation in the account, only credits shall be allowed.

Further, JKFPL may at its discretion provide relaxation(s) for continued operation of accounts for customers who are unable to provide Permanent Account Number or equivalent e-document thereof or Form No. 60 owing to injury, illness or infirmity on account of old age or otherwise, and such like causes. Such accounts, however, are subject to enhanced monitoring and prior approval of CRO and Chief Compliance Officer.

6.1 Low Risk Customers

Individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, are categorised as low risk. These following customers generally fall under the category of Low Risk.

a. Salaried person.
b. Self-employed professionals other than HNIs.
c. Self-employed person.
d. Wage earners
e. People belonging to government departments excluding senior executives

f. People working with government owned companies, regulators and statutory bodies, etc.

g. People working with Public Sector Units.

h. Proprietorship firm

i. People working with reputed public / private Limited companies & multinational Companies and their subsidiaries.

j. Trust & societies formed for imparting education & allied activities.

k. Public sector undertaking (PSU), joint venture companies where Central or any of State Government or PSUs have investment stakes, listed corporate entities, unlisted corporate entities which are regulated by Reserve Bank of India and unlisted corporate entities which have minimum rating of A+ and equivalent from any accredited rating agency.

All the clients not falling under ‘Medium’ and ‘High’ risk category fall under ‘Low’ risk category.

6.2 Medium Risk Customers

Customers those are likely to pose a higher-than-average risk to JKFPL are categorized as medium depending on customer’s background, nature and location of activity, sources of funds, customer’s profile, information available in public domain etc.

The following Customers generally fall under the ‘Medium Risk’ category:

- High net worth individuals with occupational track record of more than 3 years.
- NRI’s
- Unlisted corporate entities, partnership firms and proprietary concern, where sufficient information about its promoters or partner or proprietor, and their business activities is not available in the public domain.
- Stock brokerage;
- Import / Export;
- Gas station;
- Car / Boat / Plane Dealership;
- Electronics (wholesale);
- Travel agency;
- Telemarketers;
- Providers of telecommunications service, internet café, IDD call service, phone
- Closely held entities of reputed promoters/business families, where sufficient information is available about them and their business activities are in public domain.

6.3 High Risk Customers

The customers who are likely to pose a higher than average risk to JKFPL are categorized ‘High Risk’ customers depending on customer's background, nature and location of activity, sources of funds and their client profile, etc. The following customers generally fall under 'High Risk' category requiring higher due diligence:

l. High net worth individuals, without an occupational track record of more than 3 years.
m. NGOs and organizations receiving donations.
n. Companies having close family shareholding or beneficial ownership and where sufficient information in not available about the promoters and its/their business activities.
o. Firms with 'sleeping partners'.
p. Politically exposed persons (PEPs) including their close associates / relatives of PEPs and/or accounts of which a PEP is the ultimate beneficial owner.
q. Unlisted, proprietorship or partnership broking entities, money changers and the person with dubious reputation as per available public information, etc.
r. Individuals and entities specifically identified by regulators, FIU and other competent authorities as high-risk or appearing in the watch list;
s. Customers with dubious reputation as per public information available or commercially available watch lists;
t. Individuals and entities specifically identified by regulators, FIU and other competent authorities as high-risk;
u. Customers conducting their business relationship or transactions in unusual circumstances, such as significant and unexplained geographic distance between the institution and the location of the customer, frequent and unexplained movement of accounts to different institutions, etc.;
v. Shell companies which have no physical presence in branch locations. The existence simply of a local agent or low-level staff does not constitute physical presence;
w. Accounts for "gatekeepers" such as accountants, lawyers, or other professionals for their clients where the identity of the underlying client is not disclosed to JKFPL;
x. Complex business ownership structures, which can make it easier to conceal underlying beneficiaries, where there is no legitimate commercial rationale; Client Accounts managed by professional service providers such as law firms, accountants, agents, brokers, fund managers, trustees, custodians, etc;
y. Gambling/gaming including "Junket Operators" arranging gambling tours;
z. Dealers in high value or precious goods (e.g. jewel, gem and precious metals dealers, art and antique dealers and auction houses, estate agents and real estate brokers);
aa. Customers engaged in a business which is associated with higher levels of corruption (e.g., arms manufacturers, dealers and intermediaries;
bb. Customers engaged in industries that might relate to nuclear proliferation activities or explosives;

cc. Customers that may appear to be multi-level marketing companies etc.

JKFPL applies enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence'.

The categorization of customers as per risk profile and implementation of the measures, however, should not result in denial of company's services to the general public, especially to those who are financially or socially disadvantaged.

JKFPL will gather sufficient information on the customers falling under High Risk category and check the information available on the said customers in public domain. The identity of the PEPs will be verified and information about source of funds will be sought before admitting PEP as customer. The decision to give loan to PEP and high risk customer is taken by the CEO and CRO in accordance with guidelines prescribed in RBI Master Direction after due consultation with Chief Compliance Officer.

As regards the accounts of PEPs it is advised that in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, ArPAC obtains Joint CEO, CRO and Chief Compliance Officer to continue the business relationship with such person, and also undertake enhanced monitoring as specified in Annexure – I.

The exposure to any of the clients is subject to credit risk policy and operations manual of the company. However, for customer acceptance, KYC is a prerequisite.

7 MONITORING OF TRANSACTIONS

• Ongoing monitoring is an essential element of effective KYC procedures and JKFPL may, inter-alia, obtain certificate/ documents for monitoring end use of the financial assistances granted to customer.

• JKFPL undertakes on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customer's, customer's business and risk profile; and the source of funds/wealth.

• The extent of monitoring is aligned with the risk category of the customer.

• The Head Operations is primarily responsible for monitoring.

• An illustrative list of suspicious transactions in given in **Annexures 3.**

"**Suspicious transaction**" means a "transaction" as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith:

a) gives rise to a reasonable ground of suspicion that it may involve proceeds of an o specified in the Schedule to the Act, regardless of the value involved; or
b) appears to be made in circumstances of unusual or unjustified complexity; or
c) appears to not have an economic rationale or *bonafide* purpose; or
d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

Explanation: Transaction involving financing of the activities relating to terrorism includes transactions involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.
High risk accounts will be subjected to intensified monitoring.

8 CUSTOMER EDUCATION

The implementation of KYC procedures requires JKFPL to request certain information from customers, which may be of a personal nature, or which has hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. JKFPL's front-line staff therefore personally discusses this with customers and if required, JKFPL may also prepare specific literature/ pamphlets, etc. to educate the customer on the objectives of the KYC program. The front desk staff will be specially trained to handle such situations while dealing with customers.

9 INTRODUCTION OF NEW TECHNOLOGIES

Commensurate with its business operation, JKFPL pays special attention to identify and asses ML /TF risks in relation to the development of new products and new business practices including new delivery mechanisms and the use of new or developing new technologies for both new and pre-existing products and threats that may arise from new or developing technologies including on-line transactions that might favour anonymity, and take measures, if needed, to prevent its use in money laundering schemes. However, at the same time JKFPL embraces all such technology innovations which will aid in establishment of identification of customer. Further, JKFPL ensures: (a) to undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and (b) adoption of a risk- based approach to manage and mitigate the risks through appropriate Enhanced Due Diligence ("**EDD**") measures and transaction monitoring.

The CEO and Head IT & Compliance Officer ensure that necessary control mechanisms are built into the software packages to be implemented in the Business Units to prevent the use of the technology for money laundering/TFL purposes. The ultimate responsibility for customer due diligence in all the cases rests with JKFPL and accordingly, JKFPL has in place adequate systems and procedures to avoid any violations of the KYC framework, both in letter and spirit.

10 APPOINTMENT OF DESIGNATED DIRECTOR AND PRINCIPAL OFFICER

- Mr. Rajesh Painuly, MD & CEO of JKFPL has been appointed as the 'Designated Director' in compliance of Rule 2, 1(ba) of the Prevention of Money Laundering (Maintenance of Records Rules), 2005. He ensures overall compliance with the obligations imposed under Chapter IV of the Prevention of Money Laundering Act, 2005 and its rules.
- Ms. Ambika, Chief Compliance Officer and Credit Officer of JKFPL is the 'Principal Officer' of the Company to coordinate the implementation of KYC norms in the company. As per the guidelines of the Reserve Bank of India (RBI), the Principal Officer is located at the Corporate Office of the Company and is responsible for monitoring and reporting of all transactions and sharing of information as required under the law. She maintains close liaison with enforcement agencies, other NBFCs and any other institutions which are involved in the fight against money laundering and combating financing of terrorism.
- The Principal Officer is authorized to fix the accountability for serious lapses and intentional circumvention of prescribed procedures and guidelines, in consultation with the CEO of the Company.

11 MAINTENANCE OF RECORDS OF TRANSACTIONS

JKFPL maintains the proper record of all the transactions referred to in Rule 3 of the Prevention of Money-Laundering (Maintenance of Records) Rules 2005 (the Rules) framed by the Central Government in the exercise of its powers under the PML Act and in particular maintain records of all 'suspicious transactions'. 'Suspicious transactions' means a transaction whether or not made in cash which, to a person acting in good faith - (a) gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime or may involve financing of the activities relating to terrorism; (b) appears to be made in circumstances of unusual or unjustified complexity; or (c) appears to have no economic rationale or bonafide purpose.

Explanation—Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.

The records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of the business relationship shall be maintained at least for a period of five (5) years after the business relationship is ended.

The records pertaining to the transactions referred to in Rule 3 of the Rules are to be maintained at least for a period of five (5) years from the date of the transaction, in hard and soft copies as per the procedure and manner laid down in Rule 5 and contain the date on which the transaction was conducted, the nature of the transaction, amount and currency in which the transaction was executed.

JKFPL will make available swiftly, the identification records and transaction data to the competent authorities upon request.

JKFPL would ensure that in case of customers who are NPO, the details of such customers are registered on the DARPAN Portal of NITI Aayog. If the same are not registered, RE shall register the details on the DARPAN Portal. REs shall also maintain such registration records for a period of five years after the business relationship between the customer and the RE has ended or the account has been closed, whichever is later.

12 REPORTING TO FINANCIAL INTELLIGENCE UNIT – INDIA

- Section 12 of PMLA requires JKFPL to report information of transactions referred to in clause (a) of sub-section (1) of section 12 read with Rule 3 of the PML Rules relating to cash and suspicious transactions etc. to the Director, Financial Intelligence Unit-India (FIU-IND). Accordingly, Principal Officer will report such information in the proper format of transactions relating to cash and/or of a suspicious nature to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

  Financial Intelligence Unit – India 6th Floor, Tower-2,
  Jeevan Bharati Building, Connaught Place,
  New Delhi-110001, INDIA
- The information in respect of the transactions referred to in clause (A), (B) and (BA) of sub-rule (1) of rule 3 of the PML Rules (i.e. clauses mentioned in section 13 above) is to be submitted to the Director FIU-IND every month by the 15th day of succeeding month in the prescribed formats.
- The information is to be submitted to the Director promptly, in writing or by E-mail, or by fax, not later than seven working days from the date of occurrence of such transactions and on being satisfied that the transaction is suspicious as per the prescribed formats.

13 CENTRAL KNOW YOUR CUSTOMER REGISTRY

Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR under the said rules, including receiving, storing, safeguarding and retrieving the KYC records in digital form of a client. JKFPL has registered itself as reporting entity and shall comply with the functions & obligations pertaining to it. The Company captures the KYC information for sharing with the CKYCR in the manner prescribed under the CKYCR Operating Guideline as updated by them from time to time.

Operations Dept. ensures and uploads the KYC data pertaining to all new individual and Legal Entities accounts with CERSAI in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 within 10 days of commencement of an account-based relationship with the customer. Once KYC Identifier is generated by CKYCR, JKFPL ensures that the same is communicated to the individual/Legal Entity as the case may be. Where a customer, for the purposes of establishing an account-based relationship, submits a KYC Identifier to JKFPL, with an explicit consent to download records from CKYCR, then JKFPL retrieves the KYC records online from the CKYCR using the KYC Identifier and the customer is not required to submit the same KYC records or information or any other additional identification documents or details, unless – (i) there is a change in the information of the customer as existing in the records of CKYCR; (ii) the current address of the customer is required to be verified; (iii) JKFPL considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the customer. (iv) the validity period of documents downloaded from CKYCR has lapsed.

14 PERIODIC AUDITS OF THE ENTIRE MONITORING AND REPORTING PROCESS

RBI guidelines mandate audits of the AML process on a periodic basis. It is necessary that the entire process of alert generation, monitoring and reporting of transaction is reviewed independently by internal auditors on a yearly basis (at least) to ensure that the process of monitoring and reporting is effective. Follow up action points arising out of observations relating to transaction reporting under AML is taken as per agreed time frame.

15 OTHER OBLIGATIONS

a) Requirements/obligations under International Agreements Communications from International Agencies.

JKFPL ensures that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC). The details of the two lists are as under:

(i) The “ISIL (Da’esh) & Al-Qaida Sanctions List”, which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al Qaida Sanctions List is available at: www.un.org/securitycouncil/sanctions/1267/aq_sanctions_list

(ii) The “1988 Sanctions List”, consisting of individuals (Section A of the consolidated list) and entities (Section B) associated with the Taliban which is available at https://www.un.org/securitycouncil/sanctions/1988/materials

Details of accounts resembling any of the individuals/entities in the lists shall be reported to FIU-IND apart from advising Ministry of Home Affairs as required under UAPA notification dated February 2, 2021.

In addition to the above, other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time to time is also taken note of.

b) Freezing of assets under Section 51A of Unlawful Activities (Prevention) Act, 1967: The procedure laid down in the UAPA Order dated February 2, 2021 (Annex II of RBI KYC Master Direction is strictly followed and meticulous compliance with the Order issued by the Government are ensured. The list of Nodal Officers for UAPA is available on the website of Ministry of Home Affairs.

c) Jurisdictions that do not or insufficiently apply the FATF recommendations

i. FATF statements circulated by Reserve Bank of India from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF recommendations, are considered. Risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement is taken into account.

ii. Special attention is given to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF Statements.

Explanation: This process does not preclude REs from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statement.

The background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF.

d) JKFPL verifies below list so as to ensure that JKFPL does not have any account in the name of individuals/entities appearing in the lists of individuals and entities

i. https://www.mha.gov.in/en/page/individual-terrorists-under-uapa

ii. https://www.un.org/securitycouncil/sites/www.un.org.securitycouncil/files/uqoo4en- all_0.html

iii. https://www.un.org/securitycouncil/sanctions/1718/materials

16 REVIEW

This policy is reviewed on a yearly basis in April-May of each year. However, depending on requirements, the reviews may be done at shorter intervals. Any changes in the policy is made with approval of the Board, except for any changes required to adhere to changes in regulations.

ANNEXURES:

3.1 ANNEXURE 1 - CUSTOMER IDENTIFICATION REQUIREMENTS INDICATIVE GUIDELINES – LEGAL PERSONS REQUIRING EXTRA ELEMENT OF CAUTION

1. **Trust/Nominee or Fiduciary Accounts:** There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. Company should determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, the Company may insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. While opening an account for trust, the company should take reasonable precautions to verify the identity of the trustees and the settlers /authors of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries should be identified when they are defined. In the case of a "foundation" steps should be taken to verify the founder managers/directors and the beneficiaries, if defined. If the Company decides to accept such accounts in terms of the 'Customer Acceptance Policy', the Company should take reasonable measures to identify the beneficial owner(s) and verify his/her/their identity in a manner so that it is satisfied that it knows who the beneficial owner(s) is/are as also details of the nature of the trust or other arrangements in place shall be obtained. Provided that in case of a trust, JKFPL shall ensure that trustees disclose their status at the time of commencement of an account-based relationship or when carrying out transactions as specified in clauses (d) and (e) of point 6 of this policy.

2. **Accounts of companies and firms:** The Company need to be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with the Company. The Company would verify the legal status of the legal person/ entity through proper and relevant documents. The Company should verify that any person purporting to act on behalf of the legal/ juridical person/entity is so authorized and identify and verify the identity of that person. The Company should examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perceptions, e.g. in the case of a public company it will not be necessary to identify all the shareholders.

3. **Client accounts opened by professional intermediaries:** When the Company has knowledge or reason to believe that the client account opened by a professional intermediary is on behalf of a single client, that client must be identified. Where the company rely on the 'customer due diligence' done by an intermediary, they should satisfy themselves that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements. It should be understood that the ultimate responsibility for knowing the customer lies with the company.

Accounts of Politically Exposed Persons (PEPs) resident outside India Politically Exposed Persons are individuals who are or have been entrusted with prominent public functions, e.g. Heads of States or of Governments, senior politicians, senior Government/judicial/military officers, senior executives of state-owned corporations, important political party officials etc. Company should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person and seek information about the sources of funds before accepting PEP as a customer. The decision to open an account for PEP should be taken only by the Sanctioning Authority, and in due consultation with the Chief Compliance Officer supported by appropriate verification in accordance with guidelines prescribed in RBI Master Direction. Such accounts shall be subject to enhanced monitoring on an ongoing basis. These norms are also applicable to the accounts of the family members or close relatives of PEPs.

In the event of an existing customer or the beneficial owner of an existing account, subsequently becoming PEP, the Company shall obtain the approval of Joint CEO, CRO and Chief Compliance Officer to continue the business relationship and subject the account to the KYC due diligence measures as applicable to the customers of PEP category including enhanced monitoring on an ongoing basis.

4. **Accounts of non-face-to-face customers:** JKFPL shall ensure that the first payment is to be effected through the customer's KYC-complied account with another RE, for enhanced due diligence of non-face to face customers

Beneficial Owner

The beneficial owner has been defined as per PMLA Act to mean an individual who ultimately owns or controls a client of a reporting entity or the person on whose behalf a transaction is being conducted and includes a person who exercises ultimate effective control over a juridical person

When the company identifies a customer for opening an account, it should identify the beneficial owner(s) and take all reasonable steps to verify his identity, as per guidelines provided below:

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 person, has/have a controlling ownership interest or who exercise control through other means.

Explanation- For the purpose of this sub-clause-

1. *"Controlling ownership interest" means ownership of/entitlement to more than 10 per cent of the shares or capital or profits of the company.*

2. *"Control" shall include the right to appoint majority of the directors or to control the management*

or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

b. Where the customer is a partnership firm, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 10 per cent of capital or profits of the partnershipor who exercises control through other means. Explanation - For the purpose of this sub-clause, "control" shall include the right to control the management or policy decision.

c. Where the customer is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.

Explanation: Term 'body of individuals' includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

d. Where the customer is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 10% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

e. 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.

3.2 ANNEXURE 2 - CUSTOMER IDENTIFICATION PROCEDURE

FEATURES TO BE VERIFIED AND DOCUMENTS THAT MAY BE OBTAINED FROM CUSTOMERS

Features	**Documents** (the certified true copies of documents or the equivalent e-documents thereof shall be obtained)
Individuals	
Legal name and any other names used – Any of the documents to be obtained along with once recent passport size photograph	1. Proof of possession of Aadhaar number (Redact or blackout Aadhaar number from hard copy obtained, customer declaration that Aadhaar is submitted voluntarily); or 2. Valid passport; or 3. Pan card; or 4. Voter's Identity card; or 5. Valid driving license; or 6. Letter from a recognized public authority or public servant verifying the identity and residence of the customer; or 7. the KYC Identifier with an explicit consent to download records from CKYCR and 8. One recent passport size photograph except in case of transactions referred to in Rule 9(1)(b) of the PML Rules.
Correct address – Any of the documents to be obtained.	1. Proof of possession of Aadhaar number (Redact or blackout Aadhaar number from hard copy obtained, customer declaration that Aadhaar is submitted voluntarily) or 2. Passport; or 3. Voter's Identity card; or 4. Valid driving license; or 5. the KYC Identifier with an explicit consent to download records from CKYCR If any of the above OVD submitted by the customer doesn't have updated address, the following documents shall be deemed to be OVDs for the purpose of proof of address along with an affidavit cum undertaking or declaration to furnish any of the above OVD's within a period of 3 months 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 license agreements with such employers allotting official accommodation;
Features	Documents (the certified true copies of documents or the equivalent e-documents thereof shall be obtained)
Companies -	
- Name of the Company - Principal place of business - Mailing address of the Company - Telephones	1. Certificate of Incorporation and Memorandum and Articles of Association 2. Permanent Account Number of the company MoA & AoA of the Company. 3. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; 4. Documents as applicable for individual relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf 5. List of latest shareholding patterns and latest directors list 6. KYC docs for Individual Signatory/POA Holder or Beneficial Owner 7. The names of the relevant persons holding senior management position; and 8. . registered office and the principal place of its business, if it is different.
Partnership Firms-	

<table>
<tr><td>Legal Name - Address - Name of all partners and their addresses - Telephone numbers of the firm and partners recent passport photographs duly self- attested</td><td>1. Registration Certificate for registration of partnership firm with Registrar of Firms.
2. Partnership deed (including any amendments thereof)
3. Permanent Account Number of the partnership firm
4. Documents as applicable for individual relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf
5. Any officially valid document identifying the incumbent partners and the persons holding the Power of Attorney and their addresses
6. Telephone bill in the name of firm and/or partners
7. KYC docs for Individual Partner as Signatory/POA Holder or Beneficial Owner
8. address of the registered office, and the principal place of its business, if it is different</td></tr>
<tr><td colspan="2"><u>Trusts & Foundations (if applicable)</u></td></tr>
<tr><td>– Names of trustees, settlers, beneficiaries and signatories
– Names and addresses of the founder, the managers/directors and the beneficiaries
- Telephone and fax Numbers</td><td>1. Certificate of registration
2. Trust Deed
3. PAN/Form 60 of the trust
4. Proof, if any, if the trust is constituted for religious or charitable purposes referred to in clause (15) of section 2 of the Income-tax Act, 1961 (43 of 1961), that is registered as a trust or a society under the Societies Registration Act, 1860 (21 of 1860) or any similar State legislation or a Company registered under the section 8 of the Companies Act, 2013
5. Documents as applicable for individual relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
6. Any officially valid document to identify trustees, settlors, protector, if any, authors of trust beneficiaries and those holding Power of Attorney/authorised to transact on behalf of the trust , founders/managers/directors and their addresses
7. the address of the registered office of the trust;
Resolution of the managing body of the
8. foundation/association
Telephone Bill (if applicable)</td></tr>
</table>

Unincorporated association or a body of individuals (if applicable)	
	1. Resolution of the managing body of such association, 2. Permanent Account Number or Form No. 60 of the unincorporated association or a body of individuals 3. Power of attorney granted to him to transact on its behalf, 4. Documents as applicable for individual relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf 5. such other information as Company may require collectively to establish the legal existence of such association or body of individuals Explanation: Unregistered trusts/partnership firms shall be included under the term ‘unincorporated association’.
Sole Proprietary Firm	
	Identification information as mentioned for Individuals shall be involved In addition, any two of the following documents shall be obtained 1. Registration certificate including Udyam Registration Certificate (URC) issued by the Government 2. Certificate/licence issued by the municipal authorities under Shop and Establishment Act. 3. Sales and income tax returns. 4. CST/VAT/ GST certificate 5. Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities 6. 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 7. Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities. 8. Utility bills such as electricity, water, and landline telephone bills.

Eligible FPIs under PIS	
	1. Constitutive documents 2. Proof of address
	3. PAN 4. SEBI registration certificate 5. Senior management list 6. Authorised signatories list
For opening accounts of juridical persons not specifically covered in the earlier part, such as societies, universities and local bodies like village panchayats, certified copies of the following documents or the equivalent e-documents thereof shall be obtained:	
	1. Document showing name of the person authorised to act on behalf of the entity; 2. Documents, as specified in Section 16, of the person holding an attorney to transact on its behalf and 3. Such documents as may be required by the RE to establish the legal existence of such an entity/juridical person.

Simplified procedure for opening accounts by Non-Banking Finance Companies (NBFCs)

In case a person who desires to open an account is not able to produce identification information as mentioned above, JKFPL may at its discretion open accounts subject to the following conditions:

(a) The NBFC shall obtain a self-attested photograph from the customer.

(b) The designated officer of the NBFC certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.

(c) The account shall remain operational initially for a period of twelve months, within which the customer has to furnish identification information.

(d) balances in all their accounts taken together shall not exceed rupees fifty thousand at any point of time.

(e) the total credit in all the accounts taken together shall not exceed rupees one lakh in a year.

(f) The customer shall be made aware that no further transactions will be permitted until the full KYC procedure is completed in case directions (d) and (e) above are breached by him.

(g) The customer shall be notified when the balance reaches rupees forty thousand or the total credit in a year reaches rupees eighty thousand that appropriate documents for conducting the KYC must be submitted otherwise the operations in the account shall be stopped when the total balance in all the accounts taken together exceeds the limits prescribed in (d) and (e) above. The account shall be monitored and when there is suspicion of ML/TF activities or other high-risk scenarios, the identity of the customer shall be established in accordance the procedure outlined in KYC the Master Direction issued by

3.3 ANNEXURE 3 - ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS:

- Customer whose identity matches with any person whose name figures in the list of banned persons and entities
- High value cash transactions in a day
- High value cash transactions in a calendar month
- Unscheduled high value repayments in a day
- Unscheduled high value repayments in a calendar month
- Splitting of cash transactions just below Rs 10 lakh by a customer in a month
- Linkage in different loans
- High value transactions by high-risk customers
- Information sought by enforcement agencies.