

Community Finance Pvt. Ltd.

Risk Policy on Know Your Customer (KYC) and Anti Money Laundering (AML)

Introduction:

This Policy shall be known as KYC Policy & AML Policy and shall be applicable to all branches and offices of COMMUNITY FINANCE PVT. LTD. (CFPL). The Policy shall be adhered to in letter and spirit and there shall be no incidents of non-compliance of this Policy

The Policy has been classified into the following sections:

- A. Customer Acceptance Policy (CAP)
- B. Customer Identification Procedure (CIP)
- C. Monitoring of Transactions
- D. Risk Management
- E. Customer Education
- F. Introduction of New Technologies
- G. Applicability to branches and Subsidiaries outside India
- H. Appointment of Principal Officer
- I. Maintenance of record of Transactions
- J. Records to contain the specified information
- K. Maintenance and Preservation of records
- L. Reporting to Financial Intelligence Unit India.
- M. Review Clause: The KYC & AML Policy to be reviewed every Three (3) years.

A. Customer Acceptance Policy (CAP):

- a. The CAP is to lay down criteria for acceptance of a customer based on the relative risk associated to his profession, cash flow and the documents required for acceptance of the customer. For this purpose, the customers may be classified as Salaried, Pensioner or Self Employed, wherein the risk is associated with the nature of the job for Salaried, age for the Pensioners and the nature & stability of the business for the Self Employed. To illustrate, Low Risk customers would be salaried employees with well-defined salary structure, persons working with Government departments or Govt. owned companies or Medium / Large Private Companies who have been in business for many years and are profitable. The category of high risk customers would be: Non-Resident customers, High net worth individuals Politically exposed persons. Persons with questionable reputation as per public information.

- b. Documents should be obtained, and records created for ascertaining the customer's identity, social & financial status, nature, location and details about the source of income along with cash flows.
- c. It shall be ensured that:
- No transactions with fictitious / anonymous names are entered into with CFPL loan transactions.
 - Parameters of risk perception are defined in terms of the location of the customer and mode of payments.
 - Documentation requirements and other information are collected for different categories of persons as required under AML guidelines of RBI.
 - No transaction of business where it is unable to verify identity of the customer.
 - In cases where a customer is represented by another person, to satisfy that the same is genuine. Necessary checks to be adopted on both individuals before accepting the customer, to ensure that the customer identity does not match with any person of known criminal background I banned entities such as individual terrorists or terrorist organization.
 - The customer profile created from the information would be confidential in nature and details shall not be divulged for cross-selling purpose or any other purpose, except as required by law.

B. Customer Identification Procedure:

- a. The identity of the individual customer shall be verified from independent and genuine sources along with recent coloured passport sized photograph to be kept on record. The customer shall also put his signature / thumb impression, across the photograph. The place of residence and of work place of the customer must be verified by employees authorized in this regard and should be as per information provided. There shall be a direct customer interaction with an official of CFPL at the time the customer is accepted by CFPL.

b. The following documents information shall be obtained for establishing the identity of the customer:

- Name of the customer to be verified from any one of the following:
Passport I PAN Card/ Voter Identity Card / Driving Licensee / Aadhar Card.
- Correct Permanent address to be verified from any one of the following:
Telephone Bill I Bank Account statement I Electricity Bill / Ration Card / Letter from employer (after satisfying with reliability) / Leave and License agreement.

C. Monitoring of Transactions:

CFPL shall monitor and maintain records for:

- Individual cash transactions of the value of more than Rs 50,000/-
- All series of cash transactions connected to each other within one month aggregating to more than Rs 5 lakhs.
- All cash transactions where forged or counterfeit currency notes have been used I where any forgery of a valuable security has taken place.

D. Risk Management:

The KYC Policy implementation shall be periodically reviewed by the Internal Audit Compliance function with regard to the adherence to the Policy. Further, the Compliance function shall provide an independent evaluation of the existing policies and procedures of CFPL including legal and regulatory requirements with a view to ensure proper implementation. It shall be ensured that the Internal Audit / Compliance function is adequately staffed with employees who are well-versed with the Policy and who will verify the implementation of this Policy. (RBI).

E. Customer Education

In case there is any resistance from the customer with regard to providing any details requested for as required under this Policy, the customer, during the customer interaction session, should be explained, as to why details have been called for from the customer by our employee.

F. Introduction of New Technologies

Although, at present all payments are received in the form of cash account payee cheques / EFT, CFPL shall pay special attention to any money laundering threats that may arise from new or developing technologies including any on-line transactions that might favor anonymity, and take measures, if need be, to prevent their use in money laundering schemes.

G. Applicability to branches and subsidiaries outside India.

As the Company does not have any branches or subsidiaries outside India the same will not be applicable to our Company.

H. Appointment of Principal Officer.

The Board will appoint Principal Officer who will be responsible for monitoring and reporting all transactions and sharing of information as required under the Law. He will also liaison with the enforcement agencies and other institutions involved in the fight against money laundering & combating financing of terrorism.

I. Maintenance of records of Transactions

CFPL shall maintain records of nature and amount of transaction, date of transaction and the parties to the transaction in respect of the followings:

- All cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.
- All series of cash transactions connected to each other within one month aggregating to more than Rs 10 lakhs or its equivalent in foreign currency.
- All transactions involving receipts by non-profit organizations of Rs.10 lakhs or its equivalent in foreign currency.
- All cash transactions where forged or counterfeit currency notes have been used / where any forgery of a valuable security has taken place. All suspicious transactions will be reported.
- Proper records in the branches will be maintained of all the cash transactions (deposits and withdrawals) of Rs 50,000/- and above. The internal monitoring system will have inbuilt procedure for reporting of such transactions and those of suspicious nature whether made in cash or otherwise, to the Head Office monthly.

J. Records to contain the specified information

As required by Rule 3 of AML Rules, records maintained by the Company should contain the following:

- The nature of transaction.
- The amount of the transaction and the currency in which it was denominated.
- The date on which the transaction was conducted and the parties to the transaction.

K. Maintenance and Preservation of Records

- CFPL shall maintain and preserve records of all transactions mentioned in Clause (a) of Subsection (1) of Section 12 read with Rule 3 of the AML Rules, for a period of at least eight years from the date of the transaction between the clients and CFPL.
- CFPL shall maintain all records of the identity of all the clients of the Company for a period of eight years from the date of cessation of transactions between the clients and the Company.

L. Reporting to Financial Intelligence Unit India.

As per Section 12 of AML the Principal Officer will report information of transactions referred to in Clause (a) of sub-section (1) of the section 12 read with Rule 3 of the AML Rules relating to cash and suspicious transactions to the Director, Financial Intelligence Unit -India (FIU IND). Further provided that if the Principal Officer has reasons to believe that a single transaction or series of transactions integrally connected to each other have been valued below the prescribed value to so to defeat the provisions of this section shall be reported to the Director within the prescribed time. The information to be furnished at the following address: Director, FIU IND, Financial Intelligence Unit India, 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi 110021.