



# Satin Finserv Limited

## AML KYC - VERSION 2.0



## **AML/KYC Policy**

### **Background:-**

Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, and on Combating Financing of Terrorism (CFT), RBI had issued the guidelines on KYC in February 2016, made amendment thereafter, from time to time, these standards have become the international benchmark for framing Anti Money Laundering and combating financing of terrorism policies by the regulatory authorities. Compliance with these standards by the banks/financial institutions/NBFCs in the country has become necessary for international financial relationships. The Department of Banking Operations and Development of Reserve Bank has issued detailed guidelines to the banks based on the Recommendations of the Financial Action Task Force and the paper issued on Client Due Diligence (CDD) for banks by the Basel Committee on Banking Supervision, with indicative suggestions wherever considered necessary. These guidelines are equally applicable to NBFCs.

### **What is Money Laundering?**

Money Laundering can be defined as engaging in financial transactions that involves income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/origins. The money laundering activities as defined under Section 3 of The Prevention Of Money-Laundering Act, 2002

### **Prevention of Money Laundering Act, 2002**

Prevention of Money Laundering Act, 2002 (PMLA 2002) form the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July 1, 2005. The PMLA 2002 and Rules notified there under impose an obligation on intermediaries to verify identity of clients, maintain records and furnish information to the financial intelligence Unit (FIU)-INDIA.

### **Financial Intelligence Unit (FIU)-INDIA**

The Government of India set up Financial Intelligence Unit-India (FIU-IND) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

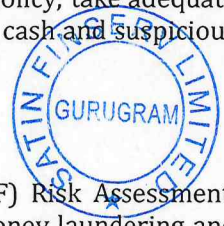
### **Policy of Satin Finserv Limited**

Satin Finserv Limited ("SFL/Company") has resolved that it would, with an internal policy, take adequate measures to prevent money laundering and shall put in place a frame-work to report cash and suspicious transactions to FIU as per the guidelines of PMLA, 2002.

### **Money Laundering and Terrorist Financial Risk Assessment**

The Company shall carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc.

The assessment process should consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. While preparing the internal risk





assessment. The risk assessment by the Company shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of the Company. The risk assessment shall be conducted atleast in half yearly basis. The outcome of risk assessment shall be approved by Risk Management Committee of the Company.

#### **Implementation of this Policy: -**

Principal Officer who will be responsible for;

- Compliance with the provisions of the PMLA and AML Guidelines
- Act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions
- Ensure that SFL discharges its legal obligation to report suspicious transactions to the concerned authorities.

The main aspect of this policy is to have Client Due Diligence Process which means,

- Obtaining sufficient information about the client in order to identify who is the actual beneficial owner or on whose behalf the transaction is conducted.
- Verify the Client's identity using reliable, independent source document, data or information.
- Conduct on-going due diligence and scrutiny of the account/client to ensure that the transaction conducted are consistent with the client's background/financial status, its activities and risk profile.

#### **The Client Due Diligence Process includes four specific parameters:-**

1. Client Acceptance Policy,
2. Client Identification Procedure
3. Suspicious Transaction identification & reporting
4. Monitoring of Transactions

##### **1. Client Acceptance Policy: -**

- a.) **Each client should be met in person:** - Accept client whom we are able to meet personally, Either the client should visit the office/branch or concerned official should visit the client at his residence/office address to get the necessary documents filled in and signed. Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by any existing client.
- b.) **Accepts client on whom we are able to apply appropriate KYC procedures:-** Obtain complete information from the client. It should be ensured that the initial forms taken by the client are filled in completely; All photocopies submitted by the client are checked against original documents without any exception. Ensure that the 'Know Your Client' guidelines are followed without any exception. All supporting documents as specified by Reserve Bank of India (RBI) are obtained and verified.
- c.) **Do not accept clients with identity matching persons known to have criminal background:-** Check whether the client's identity matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory worldwide.
- d.) **Be careful while accepting Clients of Special category:-** We should be careful while accepting clients of special category like NRIs, HNIs, Trust, charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed shareholding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non face to face clients with dubious background. Current/Former Head of State, Current/Former Senior high profile politician, Companies offering foreign exchange, etc.) or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc) or clients belonging as per list issued by Ministry of External Affairs/Reserve Bank of India/United Nations Security Council, from time to time. Scrutinize minutely the records/documents pertaining to clients belonging to aforesaid category.





- e.) **Do not accept client registration forms which are suspected to be fictitious:-** Ensure that no loan is being given in a fictitious/ benami name or on an anonymous basis.
- f.) **Do not compromise on submission of mandatory information/documents:-** Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards the reluctance.
- g.) **All the Clients would be classified under three categories viz. Low Risk, Medium Risk and High Risk.**

Segment	High Risk	Medium Risk	Low Risk
Self- Employed	<ul style="list-style-type: none"> <li>All Clients with sales turnover of more than INR 1000 Million</li> <li>All cases of Politically exposed Persons (PEPs)/ NRI' s with shareholding of more than 15% / 25% as per constitution</li> </ul>	<ul style="list-style-type: none"> <li>All Clients with sales turnover of more than INR 500 Million and less than 1000 Million</li> </ul>	<ul style="list-style-type: none"> <li>All other accounts not classified as High or Medium risk</li> </ul>
Salaried	<ul style="list-style-type: none"> <li>All cases of politically exposed Persons (PEPs) going forward</li> </ul>	<ul style="list-style-type: none"> <li>Nil</li> </ul>	<ul style="list-style-type: none"> <li>All other accounts not classified as High or Medium risk</li> </ul>

High/Medium Risk Clients would also include (a) Non-resident Clients, (b) high turnover individuals (Turnover More than INR 1,000 Million), (c) Trusts, charities, NGOs and organizations receiving donations, (d) Companies having close family shareholding or beneficial ownership, (e) Non-face to face Clients and (h) Those with dubious reputation as per public information available etc.

Based on classification defined above, following documents can be additionally accepted for Low Risk Clients (which are defined as such during the on-boarding stage) as identity or address proof:

- Identity card with applicant's Photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks and Public Financial Institutions
- Letter issued by a gazetted officer, with a duly attested photograph of the person.

**2. Client Identification Procedure :-** Documents to be obtained as part of Client identification procedure for new clients:

a. **Individuals:-** One certified copy of the following must be obtained:

i. **Identity Proof:-** Identity proof in form of :

- Aadhar card issued by UIDAI can be accepted as primary identity proof subject to masking of aadhar number
- Voter' s Identity card
- Passport
- Pan Card
- Driving License
- Ration Card
- Any Government/PSU/Bank issued photo identity card
- NREGA Job Card or any other document prescribed by the regulatory authorities.
- If these documents also contain address details, then it would also be accepted as 'proof of address'. If the document submitted by for proof of identity does not contain address details, then will have to submit another officially valid document (OVD) which contains address details.



**ii. Address Proof:-** For valid address proof in form of :

- Voter's Identity Card
- Passport
- Bank Statement
- Aadhar
- Ration card and latest Electricity/telephone bill (not more than 2 months old) in the name of the client
- And any other document prescribed by the regulatory authorities.

**b. Companies:-** the copy of the following must be obtained for KYC and due diligence purpose,:

- Copy of Registration/Incorporation Certificate
- Copy Memorandum & Articles of Association
- Copy of PAN Card and the list of directors along with Director Identification No. (DIN)
- Copy of shareholding pattern and list of beneficial owner
- Copy of Latest audited Annual Statements of the corporate client.
- Latest Net Worth Certificate
- Latest Income Tax return filed
- Resolution of Board of Directors to conduct the transactions,
- Copy of latest Telephone Bill in the name of the company (not more than 2 months old)
- Copy of latest electricity bill in the name of the company (not more than 2 months old).

**c. Partnership Firm:-** the copy of the following must be obtained (whatever is applicable)::

- Registration Certificate, if registered
- Partnership Deed
- Certified Pan Card of Partners
- Power of Attorney granted to a partner or an employee to transact the business on its behalf
- Any officially valid document identifying the partners and the persons holding the power of attorney and their addresses
- Copy of latest Telephone Bill in the name of the firm (not more than 2 months old)
- Copy of latest electricity bill in the name of the firm (not more than 2 months old).

**d. Trust & Foundations:-** the copy of the following must be obtained (whatever is applicable)::

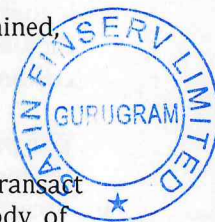
- Registration Certificate, if registered
- Trust Deed
- Power of Attorney granted to transact the business on its behalf,
- Any officially valid document (OVD) to identify the trustees, settlers, beneficiaries and those holding Power of Attorney
- Founders/managers/Directors and their addresses
- Resolution of managing body of the Foundation/Association
- Copy of latest Telephone Bill in the name of the trust & foundations (not more than 2 months old)
- Copy of latest electricity bill in the name of the trust & foundations (not more than 2 months old).

**e. Unincorporated association or a body of individuals:-** the copy of the following must be obtained, (whatever is applicable):

- Resolution of the managing body of such association or body of individual
- Power of Attorney( "POA" ) in favour of person authorized to transact
- Officially valid documents like PAN Card, Voters ID, Passport, etc to the person(s) authorized to transact
- Any document required by SFL to establish the legal existence of such association or body of individuals.

**f. Proprietary Concern: -** Any two of the below documents would suffice. These documents should be in the name of the proprietary concern :

- Proof of the name, address and activity of the concern, like registration certificate (in the case of a registered concern), certificate/licence issued by the Municipal authorities under Shop & Establishment





Act,

- Income tax/ GST returns and certificate issued by Professional Tax authorities,
- Licence issued by the Registering authority like Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, etc.
- Any registration / licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority/ Department.
- May also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document for opening of account.
- The 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.
- Utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern.

g. **NRI:-** One certified copy of the following must be obtained:

- Copy of the Passport
- Copy of the PAN Card
- Proof of Overseas address and Indian address
- Copy of Bank Statement.

All the client identification documents will be mandatorily verified online or in offline mode.

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.

High risk accounts have to be subjected to more intensified monitoring. A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place. **Risk Management**

The following elements of SFL would manage the risk arising out of the non-compliance to PMLA. The Board would ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensure their effective implementation;

Internal audit and compliance function would evaluate and ensure adherence to the KYC policies and procedures and provide independent evaluation of SFL own policies and procedures, including legal and regulatory requirements. Internal auditors should specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard would be put up before the Audit Committee of the Board on quarterly basis.

Six monthly review and updation in April and October on Client identification data would be taken up once in ten ( 10) years for Low risk Clients, once in eight (8) years for Medium Risk Clients and once in two ( 2) year for high risk Clients, from the date of opening of account/last KYC updation. For low risk Clients the updating would be only through a self- certification by the Clients in cases where there is no change in the status with respect to their identities and addresses. In case of change of address of such "low risk" Clients, they would be merely asked to submit a certified copy of the document (proof of address). For repeat customers KYC process and documentation to be done again.

**The process of risk categorization will have following steps :-**

During personal discussion with the applicant following parameters require confirmation :-

- i. Ascertaining of turnover on the basis of personal discussion or financials.
- ii. Does the applicant or co-applicant hold any political post .
- iii. NRI shareholding > 15%





Sample risk rating against the three parameters is given below

KYC RISK				
1st CRITERIA				
Cust ID	Business Turnover Value	NRI shareholding > 15%	Politically exposed person	KYC Risk
XXXX	< 50 CR	NO	NO	Low
Cust ID	Business Turnover Value	NRI shareholding > 15%	Politically exposed person	KYC Risk
XXXX	> 50 CR	NO	NO	Medium
Cust ID	Business Turnover Value	NRI shareholding > 15%	Politically exposed person	KYC Risk
XXXX	>100 CR	NO	NO	High

KYC RISK				
2nd CRITERIA				
Cust ID	Business Turnover Value	NRI shareholding > 15%	Politically exposed person	KYC Risk
XXXX	< 50 CR	YES	NO	Medium
Cust ID	Business Turnover Value	NRI shareholding > 15%	Politically exposed person	KYC Risk
XXXX	> 50 CR	YES	NO	Medium
Cust ID	Business Turnover Value	NRI shareholding > 15%	Politically exposed person	KYC Risk
XXXX	>100 CR	YES	NO	High

KYC RISK				
3rd CRITERIA				
Cust ID	Business Turnover Value	NRI shareholding > 15%	Politically exposed person	KYC Risk
XXXX	< 50 CR	NO	YES	Medium
Cust ID	Business Turnover Value	NRI shareholding > 15%	Politically exposed person	KYC Risk
XXXX	> 50 CR	NO	YES	Medium
Cust ID	Business Turnover Value	NRI shareholding > 15%	Politically exposed person	KYC Risk
v	>100 CR	NO	YES	High

On Basis the HY review risk categorization would be marked as LMS for both retail and wholesale borrowers and would be reported to CEO. After CEO's review data of risk categorization would be authorized by Ops head in LMS.

In the context of SFL, disbursement of loans is done in accordance of the credit policy and process which covers the target market, industry segment, and documentation. Thus the entire due diligence and disbursement process is encapsulated within the credit policy framework.

The other set of transactions that are done at customer's level is for collections. Any amount collected which cannot be directly attributed to the repayment of the loan given to the customer will be treated as suspicious. For eg.

1. Mr X has been funded Rs 200000 and current principal outstanding is Rs 1.80 lacs. Mr X wants to foreclose the contract and pays us Rs 3 lacs whereas the foreclosure value is Rs 2.20 lacs (1.80 + foreclosure charges Rs 40000).
2. Mr Y has already foreclosed his loan with SFL in the m/o January from his own funds. He again makes payment which is to the tune of > Rs 50000 in subsequent month.





## **Suspicious Transaction Reports (STR)**

SFL would be guided by the definition of suspicious transaction as contained in PMLA and rules made thereunder, as amended from time to time.

All such transactions would be reported to and reviewed by Principal Officer – PMLA who would enquire into the matter and decide whether the transaction would qualify to be termed as suspicious transaction. When it is believed that SFL no longer are satisfied that to know the true identity of the account holder, STR would be filed with FIU-IND. The Principal Officer – PMLA would file Suspicious Transaction Report with the Director, Financial Intelligence Unit-India (FIU-IND) within 7 days of identifying them. After filing of STR, transactions would be allowed to be continued in the account unhindered and the Client would not be tipped in any manner.

SFL is not empowered to seize any counterfeit currency. However the following incidents of counterfeit currency at the cash counter would be recorded and repeated occurrence would be reported.

- Bulk counterfeit currency of more than 10 pieces at a time;
- Repeated event within a week from a collection executive or client.

All CTR/STR would be filed electronically or as per the norms stipulated by FIU-IND from time to time. The STR would be filed for even for attempted transactions.

## **Records Management**

The Company shall document and implement appropriate procedures to retain records of KYC due diligence and anti-money laundering measures. The Company shall implement, at a minimum, the following procedures for retaining records.

“Transaction” shall have the same meaning assigned under Rule 2(h) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2013 i.e. “Transaction” means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:

- a) opening of an account;
- b) deposits, 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 of any contractual or other legal obligation;
- f) any payment made in respect of playing games of chance for cash or kind including such activities associated with casino; and
- g) establishing or creating a legal person or legal arrangement.'

Transactions for which records need to be maintained:

- a) All series of cash transactions integrally connected to each other which have taken place within a month.
- b) All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place.
- c) All suspicious transactions whether or not made in cash.

## **Information to be preserved**

The information required to be preserved with respect to the above transactions are the nature of transactions, amount and the currency in which it was denominated, date of transaction and the parties to the transaction. A copy of this information should be signed by the person heading the transaction and this should be maintained in a separate file along with all the other transaction related documents





### **Independent Assessment**

An annual independent assessment of the functioning of this policy is undertaken by the internal auditors of the Company as part of their annual review process. Observations and comment on adherence to this policy and the RBI Guidelines and other applicable statutory requirements are placed before the Audit Committee

### **Designated Director and principal officer**

To ensure compliance with the obligations under the Act and Rules, Board may appoint/nominate designated director and principal officer required under provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

In case any further information/clarification is required in this regard, the 'Principal Officer' As designated/nominated maybe contacted.

\*\*\*\*\*



