



**OXYZO FINANCIAL SERVICES PRIVATE LIMITED (COMPANY  
OR OXYZO)**

**ANTI MONEY LAUNDERING (AML) & KNOW YOUR  
CUSTOMER (KYC) POLICY**

**REVIEW & APPROVING AUTHORITY**

<b>Authority</b>	<b>Designation</b>
Prepared By	Credit Processing Team
Reviewed By	Operational Committee
Approved By	Board of Directors

**VERSION HISTORY**

<b>Version</b>	<b>Issue Date</b>	<b>Brief Description</b>
1.0	30-11-2017	Created
2.0	16-09-2019	Updated
3.0	29-06-2020	In terms of the provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time by GOI and Latest Master Direction - Know Your Customer (KYC) Direction, 2016 – dated May 10, 2021
4.0	05-04-2021	1. Amendment in CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR) as per notification dated December 18, 2020.  2. Amendment as per UAPA notification dated February 02, 2021 and notified by RBI Master Direction March 23, 2021
5.0	24-05-2021	1. Definition of Video based Customer Identification Process (V-CIP) 2. Cosmetic changes under CDD section
5.1	15.02.2023	Reviewed by Operational Committee
5.2	23.05.2023	Noted by Board of Directors

***Disclaimer: This document is confidential in nature and supersedes all policy on Anti Money Laundering (AML) and Know Your Customer (KYC) in the Company and should be read in conjunction with the most recent policies and procedures documented and held on file.***

**Registered Office:** Shop No. G-22 C (UGF) D-1 (K-84), Green Park Main, New Delhi, South Delhi- 110016

CIN: U65929DL2016PTC306174, Phone: 0124-47640758

## **1. PREAMBLE:**

The Reserve Bank of India (RBI) has issued comprehensive 'Know Your Customer' (KYC) Guidelines to all Non-Banking Financial Companies (NBFCs) in the context of the recommendations made by the Financial Action Task Force (FATF) and Anti Money Laundering (AML) standards and Combating Financing of Terrorism (CFT) policies as these being used as the International Benchmark for framing the stated policies by the regulatory authorities. In view of the same, OXYZO Financial Services Private Limited ("Company") has adopted the said KYC guidelines with suitable modifications depending on the activity undertaken by it. The Company has ensured that a proper policy framework on KYC and AML measures are formulated in line with the prescribed RBI guidelines and duly approved by the Board of Directors.

## **2. DEFINITIONS:**

- i. **"Aadhaar number"** shall have the meaning assigned to it in clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016);
- ii. **"Act" and "Rules"** means the Prevention of Money Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto.
- iii. **"Authentication"**, in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.
- iv. **"Certified Copy"** - Obtaining a certified copy by the Company 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 of the RE as per the provisions contained in the Act.
- v. **"Central KYC Records Registry" (CKYCR)** means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.
- vi. **"Designated Director"** means a person designated by the Company to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and Rules and shall include those persons as defined Master Director-Know Your Customer (KYC) Direction, 2016
- vii. **"Digital KYC"** means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the RE as per the provisions contained in the Act.
- viii. **"Digital Signature"** shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000 (21 of 2000).
- ix. **"Equivalent e-document"** means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and

Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.

- x. **“Know Your Client (KYC) Identifier”** means the unique number or code assigned to a customer by the Central KYC Records Registry.
- xi. **“Officially Valid Document”** shall have the same meaning as defined in Master Direction-Know Your Customer (KYC) Direction, 2016
- xii. **“Offline verification”** shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016).
- xiii. **“Principal Officer”** means as Officer nominated by the Company, responsible for furnishing information as per rule 8 of the Rules.
- xiv. **“Video based Customer Identification Process (V-CIP)”**: an alternate method of customer identification with facial recognition and customer due diligence by an authorised official of the RE by undertaking seamless, secure, live, informed-consent based audio-visual interaction with the customer to obtain identification information required for CDD purpose, and to ascertain the veracity of the information furnished by the customer through independent verification and maintaining audit trail of the process. Such processes complying with prescribed standards and procedures shall be treated on par with face-to-face CIP for the purpose of this Master Direction.
- xv. **“Commencement of Account Based Relationship”** : Pursuant to Rule 9(1A) of PML Rules read with RBI KYC Master Direction, the commencement of the account-based relationship with the customer will be the date when the transaction will be ready for disbursement post completion of due diligence process.

### **3. OBJECTIVE, SCOPE AND APPLICATION OF THE POLICY:**

**OBJECTIVE:** The objective of KYC guidelines is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities. KYC procedures shall also enable the Company to know and understand its Customers and its financial dealings better which in turn will help it to manage its risks prudently.

Thus, the KYC policy has been framed by the Company for the following purposes:

- a) To prevent criminal elements from using Company for money laundering activities.
- b) To enable Company to know and understand its customers and their financial dealings better which, in turn, would help the Company to manage risks prudently.
- c) To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.
- d) To comply with applicable laws and regulatory guidelines.
- e) To ensure that the concerned staff are adequately trained in KYC/AML/CFT procedures. This KYC Policy is applicable to all

branches/offices of the Company and is to be read in conjunction with related operational guidelines issued from time to time.

- f) To have a proper Customer Due Diligence (CDD) process before onboarding a client.
- g) To monitor/maintain records of all cash transactions of the value of more than Rs.10 lacs.
- h) To monitor and report suspicious transactions.
- i) To discourage and identify money laundering or terrorist financing activities.
- j) To take adequate and appropriate measures to follow the spirit of the PMLA.

**SCOPE AND APPLICATION:** The scope of this policy is to ensure explicit criteria are laid off for acceptance, identification, monitoring, risk assessment and due diligence of customers as detailed below:

- a) To lay down explicit guidelines and criteria for identification/acceptance of customers.
- b) To lay down processes around monitoring of transactions in an account.
- c) To lay down processes and measures around risk assessment of client.
- d) To lay down measures for conducting Customer Due Diligence (CDD)

To ensure above scope find its logical end, Company has adopted Ten (10) Key Elements in this policy as under:

- I) Customer Acceptance Policy (CAP).
- II) Customer Identification Procedures (CIP).
- III) Monitoring of Transactions.
- IV) Risk Management.
- V) Customer Due Diligence.
- VI) Training Programme.
- VII) Internal Control Systems.
- VIII) Record Keeping.
- IX) Appointment of Principal Officer.
- X) Reporting to FIU – India.

**a. CUSTOMER ACCEPTANCE POLICY (“CAP”):**

- 1. The Company’s CAP lays down the criteria for acceptance of Customers. The guidelines in respect of Customer relationship in the Company broadly includes the following:
  - a. No facility is to be provided to any person in anonymous or fictitious/benami name(s)/entity(ies).
  - b. Accept Customers only after verifying their identity, as laid down in Customer Identification Procedures. Necessary

checks before entering into any transaction with the Customer that the identity of the Customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.

- c. No facility is to be provided to any person without following the CDD Procedure.
  - d. Classify Customers into various risk categories and, based on risk perception, apply the acceptance criteria for each category of Customers. Also, a profile of each Customer will be prepared based on risk categorization. Customer requiring very high level of monitoring.
  - e. Documentation requirements and other information to be collected in respect of different categories of Customers depending on perceived risk and compliances with Prevention of Money Laundering Act, 2002 (PMLA) and RBI/ Company's guidelines/instructions.
  - f. Implementation of CAP should not become too restrictive and result in denial of the Company services to general public.
  - g. Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.
  - h. Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of issuing authority.
  - i. Where an equivalent e-document is obtained from the customer, the company shall verify the digital signature as per the provisions of the Information Technology Act, 2002 (21 of 2000).
  - j. PEPs – Politically Exposed Persons who are or have been entrusted with prominent public functions in foreign country (Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.) would be subjected to enhanced CDD and such accounts would be permitted at least at a level higher than what is otherwise permitted to approve the account. Close relative of PEP also would be treated at par with PEP.
  - k. Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority
2. The Company shall prepare a profile for each new Customer during the credit appraisal based on risk categorization. The Customer profile shall contain the information relating to the Customer's identity, social and financial status and nature of employment or business activity. The nature and extent of due diligence will depend on the risk perceived by Company. At the time of credit appraisal of the Customer

the details are recorded along with his profile based on the documents provided by the Customer and verified by Company either by itself or through third party sources. The documents collected will be as per the product norms as may be in practice. However, while preparing Customer profile, the Company shall seek only such information from the Customer which is relevant to the risk category and is not intrusive.

The Customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or for any other purposes.

As per KYC policy, for acceptance and identification, Company's Customers shall be categorized based on perceived risk broadly into three categories – High risk, Medium Risk, Low Risk. None of the Customers will be exempted from Company's KYC procedure, irrespective of the status and relationship with Company or its Promoters.

3. The System should be in place to capture Customer classification from the Money Laundering perspective including flagging of negative profile customers, terrorist organizations as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) etc.

**ISIL(Da'esh) & Al-Qaeda Sanctions List"**

<https://www.un.org/sc/suborg/sites/www.un.org.sc.suborg/files/1267.pdf>

**"1988 Sanctions List"**

<http://www.un.org/sc/committees/1988/list.shtml>

<sup>2</sup>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 02, 2021. In addition to the above, other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/entities from time to time shall also be taken note of. The Company shall follow the procedure laid down in the UAPA order February 02, 2021 and comply with the orders issued by Government from time to time.

4. If an existing KYC compliant Customer desires to open another account, there would be no need for submission of fresh proof of identity and/or proof of address for the purpose unless it's a part of enhanced customer due diligence.

**DEFINITION OF CUSTOMER:**

For the purpose of Company's KYC policy, a 'Customer' means a Person as defined under Know Your Customer Guidelines issued by RBI (and any amendment from time to time by RBI) which are at present as under: -

- a) A person or entity that has a business relationship with the Company.
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- b) A Person who has a financial transaction or activity with the Company.
- c) A Person on whose behalf the person who is engaged in the transaction or activity, is acting.

A "Person" shall have the meaning as defined under KYC Directions of RBI (and any amendment from time to time by RBI) which at present is as follows:

'Person' shall include:

- (i) an Individual.
- (ii) a Hindu Undivided Family.
- (iii) a Company.
- (iv) a Firm.
- (v) an association of persons or a body of individuals, whether incorporated or not;
- (vi) every artificial juridical person, not falling within any one of the above person (i to v);
- (vii) any agency, office or branch owned or controlled by any one of the above persons (i to vi).

**b. CUSTOMER IDENTIFICATION PROCEDURES ("CIP"):**

1. Customer Identification means identifying the Customer and verifying his/her identity by using reliable, independent source documents, data or information. Company shall obtain sufficient information necessary to verify the identity of each new Customer along with brief details of its promoters and management, wherever applicable, whether regular or occasional and the purpose of the intended nature of business relationship as specified in Annexure I

2. Besides risk perception, the nature of information/documents required would also depend on the type of Customer (individual, corporate etc). For Customers that are natural persons, Company shall obtain 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 Company shall;

i) verify the legal status of the legal person/ entity through proper and relevant documents.

ii) verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person.

3. Understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person. Customer identification requirements keeping in view the applicable provisions of Prevention of Money Laundering Act and Rules

An indicative list of the nature and type of documents/information that may be relied upon for customer identification is given in Annexure I. The Company will frame internal guidelines based on its experience of dealing with such persons/entities, normal prudence and the legal requirements.



4. Persons who avail the loan facility from the Company, the details of Customer Identification Procedure and documents required are listed in Annexure I.

5. The Company will formulate and implement a Customer Identification Programme to determine the true identity of its customers keeping the above in view. The Policy shall also cover the Identification Procedure to be carried out at different stages, i.e. while establishing a relationship; carrying out a financial transaction or when there is a doubt about the authenticity/veracity or the adequacy of the previously obtained Customer Identification data.

6. The Company shall periodically update Customer Identification Data after the transaction is entered. A system of periodic review of risk categorization of transaction or business relationship with such periodicity being at least once in six months and need for applying enhanced due diligence measures shall be put in place.

### **Beneficial Ownership (BO's)**

In view of Rule 9 (1A) of the Prevention of Money Laundering Rules, 2005 every bank /FI as the case may be - shall identify the beneficial owner and take all reasonable steps to verify his identity.

The term "beneficial owner" has been defined as the natural person who ultimately owns or controls a client and/or the person on whose behalf the transaction is being conducted and includes a person who exercises ultimate effective control over a juridical person.

In view of RBI's KYC Direction and Rule 9 (3) of the Prevention of Money Laundering Rules 2005:

i) 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-

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

b). "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.

ii). 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 15 per cent of capital or profits of the partnership.

iii). 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.

iv). 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 % 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.

Explanation: Term 'body of individuals' includes societies.

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.

Further, while undertaking customer identification, Company shall also be ensured that:

(1) Decision-making functions of determining compliance with KYC norms are not outsourced.

(2) Introduction is not sought while opening accounts.

(3) Optional/additional Officially Valid Document ("OVD") is obtained with the explicit consent of the borrower.

(4) Customers are required to furnish separate proof of address for permanent and current addresses, if these are different. In case the proof of address furnished by the customer is the address where the customer is currently residing,

(5) The local address for correspondence, for which their proof of address is not available, shall be verified through Contact point verification. 'Positive confirmation'.

(6) In case it is observed that the address mentioned as per 'proof of address' has undergone a change, regulated entities shall ensure that updated proof of address is obtained within a period of three months.

**Unique Customer Identification Code ("UCIC"):** Keeping in view of duplication of customer identity company will use UCIC diligently through allotment of Unique identification ID while entering new relationships with the individual customers as also the existing individual customers.

### **III.) MONITORING OF TRANSACTIONS**

Ongoing monitoring is an essential element of effective KYC procedures. Monitoring of transactions and its extent will be conducted taking into consideration the risk profile and risk sensitivity of the transaction. Company shall make endeavours to understand the normal and reasonable activity of the customer so that the transactions that fall outside the regular/pattern of activity can be identified, Special attention will be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose. Company should pay particular attention to the transactions

having high risk. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract the attention of Company. Higher risk transaction shall be subjected to intense monitoring. Company shall set key indicators for such transaction basis the background of the customer, country of origin, sources of funds, the type of transactions involved and other risk factors which shall determine the extent of monitoring. Company shall carry out the periodic review of High-risk categorization of transactions and the need for applying enhanced due diligence measures at a periodicity of not less than once in six months.

The extent of monitoring shall be aligned with the risk category of the customer.

**iv.) RISK MANAGEMENT:**

The Management of the Company under the supervision of the Board of Directors or the Loan and Credit Risk Committee, if any shall ensure that:

- a) an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation.
- b) It will cover proper management oversight, systems and controls, segregation of duties, training, and other related matters.
- c) Responsibility will be explicitly allocated within the Company for ensuring that the policies and procedures as applicable to Company are implemented effectively.
- d) The Company shall devise procedures for creating Risk Profiles of their existing and new Customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction or business relationship.
- e) All the Customers would be classified under three heads viz. Low Risk, Medium Risk and High Risk. Risk parameters for risk categorization of customers is appended as Annexe in this policy.
- f) Broad principles may be laid down by the Company for risk-categorisation of customers.

**Risk Category:**

Company will classify its customers based on the below mentioned risk categories as defined from time to time as below:

**1. Low Risk**

**2. Medium Risk**

**3. High Risk**

As per RBI Guidelines we endeavour to have risk grading algorithm which gives a risk categorisation to all applications.

-All applications wherein there is not any:

1. Politically Exposed Person (If there are multiple resemblance, risk is medium)
2. Litigation Cases
3. GST filing delays for more than 3 months
4. Similarity in sanction list

Would be classified as Low Risk, otherwise it shall be medium (except for case no 4, it shall be treated as High Risk)

- SPF shall always be under Low-Risk Category
- In case customer's GST's registered address are at Assam, Nagaland, Manipur, Arunachala Pradesh, Meghalaya, Sikkim, Manipur, Jammu and Kashmir, Andaman, Lakshadweep, Bihar – it shall be medium risk
- Once the case is rejected it will turn to high-risk category by default

Risk analysis will run through when the application moves into processing.

*The above categorisation is subject to change on time-to-time basis as and when required per se company's internal Policy/ decision or modification in statutory guideline.*

#### **Money Laundering and Terrorist Financing Risk Assessment by Company**

- (a) 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 Company shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with REs from time to time.
- (b) 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 RE.
- (c) The outcome of the exercise shall be put up to the Board or any committee of the Board to which power in this regard has been delegated and should be available to competent authorities and self-regulating bodies.

#### **V.) CUSTOMER DUE DILIGENCE ("CDD"):**

**"Customer Due Diligence (CDD)"** means identifying and verifying the customer and the Beneficial Owner using 'Officially Valid Documents' or 'Identification information as mentioned under section 15 of the RBI's Guidelines, as a 'proof of identity' and a 'proof of address' in the manner provided under this Policy read along with the manner prescribed under the RBI's Guidelines on "Know Your Customer" and Anti-Money Laundering Measures, as amended from time to time.

**1. Simplified Due Diligence:** This is the lowest level of due diligence that can be completed on a customer who does not always pose a high risk to the organization. The customers have less probability of being involved in money laundering or terrorist financing.

**2. Enhanced Due Diligence or EDD** is required when a customer is perceived to be at a higher risk to the company. A high-risk situation also occurs where there is an increased opportunity for money laundering or terrorist financing through the service or product you are providing. Examples of higher risk customers may include politically exposed people, customers with suspicion of terrorist activities, non-face to face account opening and customers located in high-risk locations.

In view of CDD, RBI came up with detailed guidelines issued on Customer Due Diligence (CDD) for Non-banking Financial Companies by the Basel Committee on Banking Supervision. RBI advised NBFCs to ensure that a proper policy framework on 'Know Your Customer' and Anti-Money Laundering measures with the approval of the Board is formulated and put in place. Accordingly, Company has in place Board approved Anti Money Laundering Policy and KYC Norms (the Policy). Based on the experience gained over the past years, the Policy is proposed to be reviewed and improved keeping in view the Master Circular on the subject issued by RBI on 1 July 2014, the revised guidelines vide circular no RBI/2014-15/330 DNBR (PD).CC. No. 005 /03.10.42/2014-15 dated 1 Dec 2014 and Know Your Customer (KYC) Direction, 2016, as amended from time to time, ('RBI's Guidelines') which is to be read along with the extant Directions issued by the RBI in this regard or any other applicable law in force. The Company shall further ensure compliance with the provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time, including operational instructions issued in pursuance of such amendment(s) and it shall not outsource decision-making functions of determining compliance with KYC norms.

**Objectives for Enhanced Due Diligence in our Company:**

- a) We will not deal with such category of Customers who could pose a potential high risk of money laundering, terrorist financing or political corruption and are determined to warrant enhanced scrutiny.
- b) The existing credit policies of Company must ensure that no transactional activities with such high-risk Customers.
- c) The Company shall conduct enhanced due diligence in connection with all Customers that are determined to pose a potential high risk and are determined to warrant enhanced scrutiny.
- d) The Company shall establish procedures to decline to do business with or discontinue relationships with any Customer when it cannot adequately complete necessary enhanced due diligence or when the information received is deemed to have a significant adverse impact on reputational risk.
- e) The Company shall periodically review and determine the need for applying enhanced due diligence measures based on the risk categorisation of Customers.
- f) The Company, in its loan agreements with Customers, specifies the end-usage of the funding provided. The Company also tracks the end usage of funds by its customers which are financial institutions

through monitoring of the assets created by the Customer from the proceeds of the said funding.

**CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR):**

For the purpose of compliance of the provision of Rule 9(1A) of PML Rules as amended from time to time, Company shall capture customer's KYC information for sharing with the Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI) platform as authorised by Government of India vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015 and shall act as Central KYC Records Registry (CKYCR). The Company shall upload the customer's KYC records on CKYCR in the manner mentioned in the Rules, as per the KYC templates prepared for 'individuals' and 'Legal Entities' as the case may be. Once the KYC identifier is generated by CKYCR, the company shall communicate the same to the individual/Legal Entity as the case may be.

In terms of provision of Rule 9(1A) of PML Rules, the REs shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.

**CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR) shall be undertake as per section 56 (chapter X).**

The Company shall perform the periodic updation of the customer's KYC records and upload/update the same on CKYCR portal as specified in Section 38 and 56 (Chapter X) of the Master Direction or earlier when the updated KYC information is obtained/received from the customer. During the periodic updation, the customers are migrated to the current CDD standard of the company. If a customer submits a KYC identifier at the time establishing new relationship with the company and shall give their explicit consent to download records from CKYCR, then the company shall retrieve the KYC records online from the CKYCR using the KYC identifier and the customer shall not be 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) the company 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 client.

**Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS):** Company shall take necessary steps for complying with the reporting requirements and shall develop Information Technology framework to ensure compliance as applicable.

**VI.) Training Programme:**

Company shall have an ongoing employee training programs so that the members of the staff are adequately trained in KYC/ AML/ CFT procedures. Training requirements shall have different focuses for front line staff, compliance staff and officer/ staff dealing with new Customers so that all those concerned fully

understand the rationale behind the KYC Policies and implement them consistently.

#### **VII.) Internal Control System:**

The Company's Internal Audit and Compliance functions will evaluate and ensure adherence to the KYC Policies and procedures. As a general rule, the compliance function will provide an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements. The Company under the supervision of the Board shall ensure that the audit function is staffed adequately with skilled individuals. Internal Auditors will specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard.

Further, the Company shall have an adequate screening mechanism in place as an integral part of their recruitment/ hiring process of personnel so as to ensure that person of criminal nature/ background do not get an access, to misuse the financial channel.

#### **VIII.) Record Keeping:**

**1. Maintenance of records of transactions:** The Company shall maintain proper record of the transactions as required under Section 12 of the PMLA read with Rule 3 of the Prevention of Money Laundering Rules, 2005 (PML Rules) as mentioned below:

1. All cash transactions of the value of more than Rupees Ten Lakhs (Rs. 10,00,000/-) or its equivalent in foreign currency, though by policy the Company neither accept cash deposits nor in foreign currency.
2. All series of cash transactions integrally connected to each other which have been valued below Rupees Ten Lakhs (Rs. 10,00,000/-) or its equivalent in foreign currency where such series of transactions have taken place within a month.
3. All transactions involving receipts by non-profit organizations of Rupees ten lakhs or its equivalent in foreign currency.
4. 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, any such transactions.
5. All suspicious transactions whether or not made in cash and in manner as mentioned in the PML Rules framed by the Government of India under PMLA. An Illustrative List of suspicious transaction pertaining to financial services is given in Annexure II.

**2. Records to contain the specified information** The Records referred to above in Rule 3 of PML Rules to contain the following information:

- a) the nature of the transactions.
- b) the amount of the transaction and the currency in which it was denominated.
- c) the date on which the transaction was conducted.
- d) the parties to the transaction.

**3. Maintenance and preservation of records** Section 12 of PML Act requires the Company to maintain records as under:

- a) Maintain all necessary records of transactions between the Company and the Customer, both domestic and international, for at least five years from the date of transaction.
- b) Preserve the records pertaining to the identification of the customers and their addresses obtained during the course of Business relationship, for at least five years after the business relationship is ended.
- c) Make available the identification records and transaction data to the competent authorities upon request.
- d) The Company shall take appropriate steps to evolve a system for proper maintenance and preservation of information in a manner (in hard and/or soft copies) that allows data to be retrieved easily and quickly whenever required or as/ when requested by the competent authorities.

#### **IX.) Appointment of Principal Officer:**

To ensure effective implementation and coordination across different functions of policy company shall designate a senior employee as 'Principal Officer' (PO) who shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. PO shall maintain close liaison with enforcement agencies, NBFCs and any other institution which are involved in the fight against money laundering and CFT. Further, Designated Director shall be responsible to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the Rules.

The Principal Officer shall be independent and report directly to the senior management or to the Board of Directors. Principal Officer is responsible for monitoring KYC/AML compliance at operational units, escalation of suspicious transactions reported by branches through STRs and sharing of information as required under the law. He will maintain close liaison with enforcement agencies, banks and any other institution which are involved in the fight against money laundering and combating financing of terrorism. The role and responsibilities of the Principal Officer include overseeing and ensuring overall compliance with regulatory guidelines on KYC/AML/CFT issued from time to time and obligations under the Prevention of Money Laundering Act, 2002, rules and regulations made there under, as amended from time to time. The Principal Officer is responsible for timely submission of CTR, STR and reporting of counterfeit notes and all transactions involving receipts by Non-Profit Organisations of value more than Rupees ten lakh or its equivalent in foreign currency to FIU-IND. The Principal Officer and other appropriate staff shall have timely access to customer identification data and other CDD information, transaction records and other relevant information. The Principal Officer under PMLA Act, 2002 shall be the competent authority for fixing the thresholds for generation of AML alerts and the periodicity of reviewing the alerts shall be at half yearly intervals or as and when required.



#### **X.) Reporting to Financial Intelligence Unit – India:**

Company is a registered NBFC licensed by RBI as a non-deposit accepting institution which does not accept deposits unless warranted towards repayment of loan obligations by its customers and the internal policies of Company do not permit any cash transactions. Nevertheless, if there were to be any such transactions in future, the business processes shall have a system of internal reporting of Suspicious Transactions and cash transactions, whether such transactions comprise of a single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within a month.

The PO shall report information relating to cash and suspicious transactions, if detected, to the Director, Financial Intelligence Unit India (FIUIND) as advised in terms of the PML Rules, in the prescribed formats as designed and circulated by RBI at the following address:

Director,

Financial Intelligence Unit India,

6th Floor, Hotel Samrat, Chanakyapuri,

New Delhi 110021

The employees of Company shall maintain strict confidentiality of the fact of furnishing/ reporting details of suspicious transactions.

#### **GENERAL:**

##### **A). Customer Education:**

Company shall educate Customers on the objectives of the KYC programme so that Customer understands and appreciates the motive and purpose of collecting such information. The Company shall prepare specific literature/ pamphlets, terms and conditions etc. so as to educate the Customer about the objectives of the KYC programme. The front desk staff shall be specially trained to handle such situations while dealing with Customers.

##### **B). Introduction of new technologies:**

Company shall pay special attention to any money laundering threats that may arise from new or developing technologies including online transactions that may favor anonymity, and take measures, if need, to prevent their use in money laundering. Company shall ensure that any remittance of funds by way of demand draft, mail/telegraphic transfer or any other mode for any amount is affected by cheques and not against cash payment.

##### **C). Applicability to Branches and Subsidiaries outside India:**

This Policy shall also be applicable to the branches and majority owned subsidiaries located abroad, especially, in countries which do not or insufficiently apply the FATF Recommendations, to the extent local laws permit as and when the Company opens overseas branches. When local applicable laws and regulations prohibit implementation of these guidelines, the same will be brought to the notice of RBI.

**D). Termination of Financing/Business Relationship:**

Where Company is unable to apply appropriate KYC measures due to non-furnishing of information and/or non-operation by the Customer, Company may terminate Financing/Business Relationship after issuing due notice to the Customer explaining the reasons for taking such a decision. Such decision shall be taken with the approval of Board of Directors or any other person authorized for the purpose.

**E). KYC for the Existing Customers:**

While the KYC Policy will apply to all new Customers, the same would be applied to the existing Customers on the basis of materiality and risk. However, transactions with existing Customers would be continuously monitored for any unusual pattern in the operation of the accounts.

**F). Updation in KYC Policy of Company:**

Board of Directors shall make the necessary amendments/modifications in the KYC/ AML/ CFT Policy or such other related guidance notes of Company, to be in line with RBI or such other statutory authority's requirements/updates/ amendments from time to time.

## **ANNEXURE 1**

### **Customer Identification Procedure Features to be verified and Documents that may be obtained from Customers.**

<b><u>SL NO</u></b>	<b><u>KYC DOCUMENTS (Officially Valid Documents)</u></b>	<b><u>Id Proof</u></b>	<b><u>Address Proof</u></b>
<b><u>1</u></b>	<b><u>Driving License</u></b>	<b><u>Acceptable</u></b>	<b><u>Acceptable</u></b>
<b><u>2</u></b>	<b><u>Valid Passport</u></b>	<b><u>Acceptable</u></b>	<b><u>Acceptable</u></b>
<b><u>3</u></b>	<b><u>Voter ID Card</u></b>	<b><u>Acceptable</u></b>	<b><u>Acceptable</u></b>
<b><u>4</u></b>	<b><u>Aadhaar Card</u></b>	<b><u>Acceptable</u></b>	<b><u>Acceptable</u></b>
<b><u>5</u></b>	<b><u>Job Card issued by NREGA</u></b>	<b><u>Acceptable</u></b>	<b><u>Acceptable</u></b>
<b><u>6</u></b>	<b><u>Letter issued by the National Population Register</u></b>	<b><u>Acceptable</u></b>	<b><u>Acceptable</u></b>

**Photograph:** Photograph of the applicant, co-applicant and Beneficial Owner is mandatory, however digitally captured photograph is acceptable.

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

1. Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
2. Property or Municipal tax receipt;
3. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
4. Letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation;

The customer shall submit OVD with current address within a period of three months of submitting the documents specified' above

Submitting 'Officially Valid Documents' - Change in name on account of marriage or otherwise: A document shall be deemed to an "officially valid document" 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 a Gazette notification or a Affidavit duly attested by Gazetted Officer, indicating such a change of name".

Accordingly a copy of marriage certificate issued by the State Government or Gazette notification or a Affidavit duly attested by Gazetted Officer, indicating change in name together with a certified copy of the 'officially valid document' (as indicated above) in the existing name of the person while establishing an account based relationship or while undergoing periodic updation exercise may be accepted [Simplified procedure" means the procedure for undertaking customer due diligence in respect of customers, who are rated as low risk by the Company and who do not possess any of the six officially valid documents, with the alternate documents as prescribed above]

**'Certified copy of officially valid document'** shall have the meaning assigned to it under the 'Master Direction – Know Your Customer (KYC) Direction, 2016', as issued by RBI.

**"Proof of possession of Aadhaar number"** shall be submitted in such form as permitted under the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act (including the rules, regulations and notifications issued thereunder) and in compliance with 'Master Direction – Know Your Customer (KYC) Direction, 2016' issued by RBI.

**"Beneficial Owners"** shall mean such persons identified by the applicant in the application form in terms of Rule 9 (3) of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

Constitution	KYC DOCUMENT
Proprietorship	<p>Any two of the following documents in the name of the proprietary concern needs to be obtained if the loan is in the name of Proprietorship Firm (Main Applicant)</p> <ol style="list-style-type: none"><li>1. Registration certificate</li><li>2. Certificate/licence issued by the municipal authorities under Shop and Establishment Act.</li><li>3. Sales and income tax returns.</li><li>4. CST/VAT/ GST certificate (provisional/final).</li><li>5. Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.</li><li>6. IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT or Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.</li><li>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.</li></ol>

	<p><b>8.</b> Utility bills such as electricity, water, landline telephone bills (should not be more than two months old)</p> <p>Other than the above mentioned, PAN of the Proprietor</p> <p>In cases where the REs is satisfied that it is not possible to furnish two such documents, REs may, at their discretion, accept only one of those documents as proof of business/activity.</p> <p>Provided REs undertake contact point verification and collect such other information and clarification as would be required to establish the existence of such firm and shall confirm and satisfy itself that the business activity has been verified from the address of the proprietary concern.</p>
<b>Partnership Firm</b>	<p>The certified copies of each of the following documents shall be obtained:</p> <ol style="list-style-type: none"> <li>1. Registration certificate</li> <li>2. Partnership deed</li> <li>3. Permanent Account Number of the partnership firm and</li> <li>4. Documents, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf</li> </ol>
<b>Trust</b>	<p>The certified copies of each of the following documents shall be obtained:</p> <ol style="list-style-type: none"> <li>1. Registration certificate</li> <li>2. Trust deed</li> <li>3. Permanent Account Number or Form No.60 of the trust</li> <li>4. Documents, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf</li> </ol>
<b>AOP (Association of Persons) /Unincorporated Incorporations</b>	<p>The certified copies of each of the following documents shall be obtained:</p> <ol style="list-style-type: none"> <li>1. Resolution of the managing body of such association or body of individuals</li> <li>2. Permanent Account Number or Form No. 60 of the unincorporated association or a body of individuals</li> <li>3. Power of attorney granted to transact on its behalf</li> <li>4. Documents, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf</li> </ol>

	5. Such information as may be required by the Regulated Entity to collectively establish the legal existence of such an association or body of individuals.
<b>Disclaimer:</b> As a Risk Policy Company does not encourage working with AOP/Unincorporated corporations but defining KYC document as the case may arise during future course of business as a credit enhancement technique.	
<b>Companies (Pvt Ltd /Ltd /OPC)</b>	The certified copies of each of the following documents shall be obtained: 1. Certificate of incorporation 2. Memorandum and Articles of Association 3. Permanent Account Number of the company 4. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf 5. Documents, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf

**Common Mandatory Documents:**

1. Recent photograph of Applicant, Co- Applicant, Beneficial Owners or Authorized Persons holding an attorney to transact on behalf of the Applicant
2. GST Registration Certificate of the Entity
3. Certified copy of officially valid documents (OVD) as proof of identity and address of Authorized Persons and Co-Applicant
4. Copy of below mentioned documents of the individual who is a beneficial owner holder related to any legal entity:
  - a) the Aadhaar number where,
    - i. he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); or
    - ii. he decides to submit his Aadhaar number voluntarily to a bank or any RE notified under first proviso to sub-section (1) of section 11A of the PML Act; or
  - (aa) the proof of possession of Aadhaar number where offline verification can be carried out; or
  - (ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; and
  - (b) the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and
  - (c) such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as may be required by the RE:

**Note:**

1. Photograph of the applicant s mandatory, however digitally captured photograph is acceptable.

2. The KYC documents/ Officially Valid documents can be verified by the employees/ representatives/ service providers of OXYZO.

5. KYCs of all beneficial owners shall be collected which means:

- Ownership of more than 25% shares in a company
- More than 15% of ownership in other forms of entities (LLP / Partnership firms etc).

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.



## **ANNEXURE II**

### **Suspicious Transaction Report:**

The Prevention of Money laundering Act, 2002 and the Rules notified thereunder require every intermediary to furnish details of suspicious transactions whether or not made in cash. Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith:-

- gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- appears to be made in circumstances of unusual or unjustified complexity; or
- appears to have no economic rationale or bonafide purpose.

Broad categories of reason for suspicion and examples of suspicious transactions for an intermediary are indicated as under:

- **Identity of Client**
- **Suspicious Background**
- **Multiple Accounts**
- **Activity in Accounts**
- **Nature of Transactions**
- **Value of Transactions**

### **Risk Mitigation Measures:**

Our nature of lending and products majorly purchase financing wherein we pay to supplier account against purchase of Raw material and services which automatically ensures the end use of funds. In Business Loans we take End Use certificate from borrow. In addition to this we review followings: -

- Supplier onboarding
- Market Feedback
- Supplier ledger and Bank statements
- Cross references
- Periodic risk monitoring through Bank statements and GST

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