

## **MANAPPURAM ASSET FINANCE LIMITED**

### **KNOW YOUR CUSTOMER (KYC) AND ANTI MONEY LAUNDERING MEASURES POLICY & INSTRUCTIONS**

#### **Objectives:**

The objective of KYC policy is to implement a well defined customer acceptance, customer care and customer severance policy to ensure prompts and inclusive services to all customers within the prescribed regulatory framework as well as defined processes of the company. Further KYC/AML guidelines are to prevent the company from being used, intentionally or unintentionally, criminal elements for money laundering or terrorist financing activities.

#### **Key Elements of the KYC policy:**

Following are key elements of our KYC policy:

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

#### **Customer Acceptance Policy:**

Customers shall be accepted after limited due diligence in form of simple interviews with Branch Head /Branch Manager or Manager at Head Office. Risk perception of the customers is judged like type of customers, nature of activities (profession/occupation) he/she is involved. The company should not accept or enter into any transaction in anonymous or fictitious/ benami name(s) and in the names of person with a criminal background and/or having connections with terrorist organizations.

#### **Customer Identification process:**

The company should identify the customer and verifying his/her identity by using reliable, independent source documents, data or information available to the satisfaction. Branches will capture the photo of customers and will keep the same in the ERP for a reasonable period of time. Standard documents as prescribed by RBI shall be followed for verifying customer's identity and address.

#### **Monitoring of Transactions:**

Transactions of high value customers shall be monitored at periodic intervals and these include transactions of customers after certain threshold limits; transactions originating from FAFT countries etc. High cash centric transactions and suspicious transaction whenever found shall be reported to appropriate Regulatory Authorities.

#### **Risk Management:**

Risk Management/ Compliance & Internal Audit function of the company will play an important role in evaluating and ensuring to the KYC policies and procedures. These departments should ensure that their inspection machinery is staffed adequately with individuals who are well versed in KYC/AML policy and procedures.

## **I. COMPLIANCE WITH RBI GUIDELINES**

- i. The Company will broadly follow the KYC norms and Anti Money Laundering guidelines as applicable for NBFCs issued by the Reserve Bank of India. This will include customer identification procedures, reporting of cash transactions, suspicious transactions, blocking accounts in the names of banned entities; persons with criminal background etc. as advised vide RBI instructions from time to time.
- ii. The instructions relating to obtention of KYC documents as mentioned in the policy shall be strictly applicable to liability products such as NCDs, subordinate Debts, loans etc and also for money changing business and MTSS business undertaken by the company.
- iii. The photo of the customer which is already been captured at the time of creation of customer id file and also the obtention of "LIVE PHOTO" on the pawn ticket shall be continued as usual.
- iv. Photo copy of the KYC documents submitted by the customer shall be counter signed by the customer and signed by the BM/BH/ABH after comparing with the original document. It shall also contain the customer id number and shall be filed carefully for future verification.
- v. In case of customers whose accounts have not been operated (or who have not been transacting) for more than 12 months, fresh KYC documents will need to be taken before undertaking any new transactions. System based control will be put in place.
- vi. Accounts in the name of individuals having a track record of criminal offence, if in the knowledge of the branch/ company, should not be opened under any circumstances. Further, the system should block the opening of accounts in the names of individual/organizations engaged in activities which are illegal (e.g. terrorism) and circulated by United Nations.
- vii. The Company will also ensure maintenance of proper record of transactions and preservation of information and records as mandated by RBI for atleast 5 years from the date of cessation of transactions between the Company and the customer.
- viii. The Company shall nominate a Director in its Board as "Designated Director" to ensure compliance with the obligations under the Prevention of Money Laundering (Amendment) Act, 2012. However, in no case the Principal Officer should be nominated as the "Designated Director".

## **II. CUSTOMER IDENTIFICATION**

### **A. Individuals / Natural Persons**

KYC document for individuals shall comprise 2 aspects viz:

- (i) Proof of Identity &(ii) Proof of Address.

Proof of Identity will carry the photograph of the holder while Proof of Address will contain the present address of the customer.

The prima facie genuineness of both the documents must be verified by the branch/HO staff. Some documents may serve as both Proof of Identity and Proof of Address, but in such cases it must be ensured that the document mentions the Present / current address of the customer otherwise a separate Proof of Address will be required-

**a) IDENTITY:** Common documents evidencing Proof of Identity-

- i) Passport
- ii) PAN Card
- iii) Voter ID Card
- iv) Driving license
- v) Ration Card with photo
- vi) UIDAI card ( Aadhar)
- vii) Bank Pass Book issued by public sector banks having photograph of the customer

All the above documents except PAN card could serve as Proof of address also provided they contain the current valid address.

**b) ADDRESS:** Common documents evidencing Proof of Address-

- i) Telephone bill
- ii) Electricity bill
- iii) Water bill
- iv) Bank account / Credit card statement
- v) Municipal / Local/House tax bill / receipt
- vi) Authentic rent receipt / lease document
- vii) Letter from reputed employer, public authority
- viii) LPG connection receipt issued by a distributor of public sector oil companies (IOC, BPCL, HPL).
- ix) Registered letter cover with customer as addressee (but customer should not be the sender)
- x) Cheque book leaf which contains the full address.
- xi) Pass Book issued by Post Office.
- xii) Proof of address issued by Post Office.
- xiii) Motor vehicles registration book / certificate.
- xiv) Insurance premium receipt.
- xv) Certificate of residence issued by Government / Local authorities.

[In case of close relatives, e.g. husband, wife, son, daughter and parents, etc. who live with their wife, husband, father/mother, daughter and son, who do not have officially valid document for address verification, then, in such cases, the Company should obtain Officially Valid Document for proof of address and identity of the relative with whom the prospective customer is living together with a declaration from the relative that the said person (prospective customer) proposing to open an account is a relative and is staying with her/him. The Company can use any supplementary evidence such as a letter received through post for further verification of the address. While issuing operational instructions to the branches on the subject, the Company should keep in mind the spirit of instructions issued by the Reserve Bank and avoid undue hardships to individuals who are, otherwise, classified as low risk customers.]

Where Proof of Address is separately obtained and accepted it should not be more than 6 months old. There will be no such limit if Proof of Identity also serves as Proof of Address.

**B. KYC for Non-Individuals (Companies, Firms, Trusts etc)**

KYC norms are applicable to non-individuals also. The requirements are as under.

Companies	<ol style="list-style-type: none"> <li>1. Certificate of Incorporation and Memorandum of Association &amp; Articles of Association.</li> <li>2. Resolution of Board of Directors for opening the account and authorization of persons to operate the account.</li> <li>3. PAN allotment letter or Copy of telephone bill.</li> </ol>
Partnership Firms	<ol style="list-style-type: none"> <li>1. Registration certificate, if registered Partnership Deed</li> <li>2. Power of attorney authorizing a partner/ employee to carry out transactions on behalf of the firm</li> <li>3. Valid documents identifying the partners</li> <li>4. Power of Attorney holders ( same as applicable for individuals as mentioned in para II above )</li> </ol>
Proprietorship Firms	<ol style="list-style-type: none"> <li>1. Valid documents identifying the proprietor (same as applicable for individuals as mentioned in para II above) PLUS ( any two of the below mentioned documents)</li> <li>2. Registration certificate, if registered Certificate /License issued under Shops &amp; Establishment Act Sales Tax / Income Tax returns.</li> <li>3. VAT / CST registration License issued by Govt / Autonomous /Regulatory</li> </ol>
Trusts , Associations	<ol style="list-style-type: none"> <li>1. Certificate of registration if registered Power of attorney authorizing a person to carry out transactions on behalf of the trust Valid documents identifying the trustees, beneficiaries, power of attorney holder etc. (same as applicable for individuals as mentioned in para II above)</li> <li>2. Resolution of the managing body of the trust / association</li> <li>3. Telephone bill</li> </ol>

**III. IMPORTANT:** As a policy, Gold loan will be granted to individuals only and not to companies, firms, trusts etc.

**IV. Money Transfer & Liability Products:** KYC documents as mentioned above should be taken without exception for customers transacting in Money Transfers, other activities relating to money changing business and MTSS business and Liability Products such as NCDs & Sub debts irrespective of the amounts.

Branches need not insist for local address proof if other requirements are satisfied and Branches can accept any address proof provided by customers for MTSS transaction

**V. Gold Loans:**

1.Exposure of Rs 50,000/- and above: For customers with gold loans outstanding of Rs 50,000/- and above both Proof of Identity and Proof of Address should be obtained in all cases.

2.Exposure below Rs 50,000/- : For customers with aggregate loans below Rs.50,000/-Proof of Identity alone will be sufficient provided the customer gives full and complete address in the loan application form and his telephone number is confirmed by the branch to be correct.

3.Interim KYC : Interim / Temporary KYC document such as Labour card, Civil ID card, Credit Card, Employer Company ID card, LIC card, State ID card, Bank Pass Book, etc. may be accepted for customer outstanding below Rs 50,000/- in all their accounts taken together and the total credit in all the accounts taken together is not expected to exceed rupees one lakh (Rs. 1,00,000/-) in a year. However, when the outstanding touches or exceeds Rs 50,000/- per customer or total credit in the account exceeds rupees one lakh (Rs. 1, 00,000/-) proper KYC documents as mentioned in para II above should be insisted upon.

4.Regularization of Interim/ Temporary KYC: In order not to inconvenience the customer, the Company must notify the customer when the balance reaches rupees forty thousand (Rs. 40,000/-) or the total credit in a year reaches rupees eighty thousand (Rs. 80,000/-) that appropriate documents for conducting the KYC must be submitted otherwise the operations in the account will be stopped when the total balance in all the accounts taken together exceeds rupees fifty thousand (Rs. 50,000/-) or the total credit in the accounts exceeds rupees one lakh (Rs. 1,00,000/-) in a year. Suitable instructions to the branches shall be issued for implementation in this regard.

5.Blocking non compliant accounts: When the prescribed regular KYC documents are not obtained and updated in the system loans exceeding Rs 1,00,000/- per customer shall be blocked until the prescribed KYC documents are obtained and updated in the Customer ID file.

6.Blocking customer IDs: The system will block the IDs of such customers who have pledged spurious / low quality gold and where the loss is Rs.25,000/- and above. Further, IDs of all customers who have pledged stolen / theft gold will also be blocked immediately upon being known.

7.Data entry: Separate fields for entering Proof of Identity, Proof of Address and Interim / Temporary KYC document will be available in the Customer ID file in the system.

8.Women Customers: In the case of ‘parda’ (veil) wearing ladies capturing of the customer’s photograph (in Customer ID file on the system) may waived provided an acceptable Proof of Identity document is furnished. Photo of the customer in the Customer ID File should be obtained in all other accounts without exception.

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