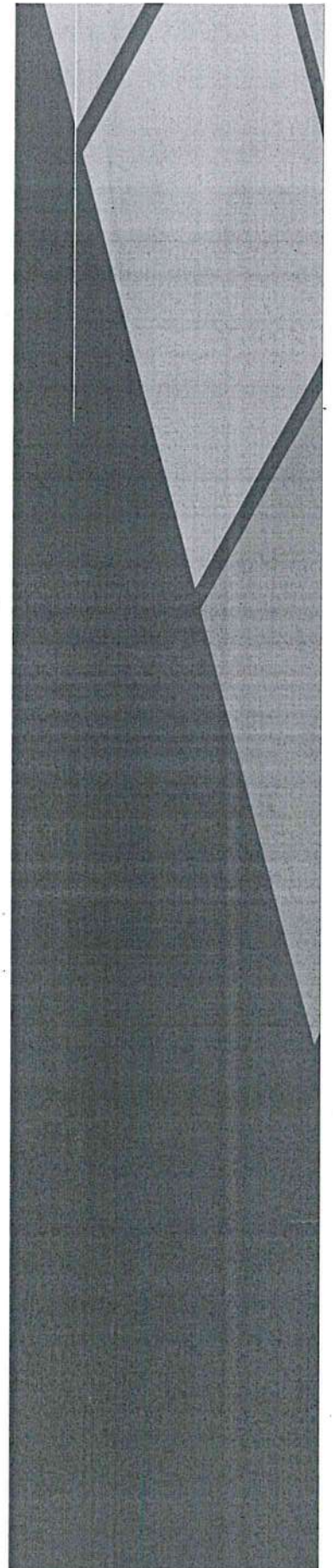


IIFL
samasta



**IIFL Samasta Finance
Limited**
**ANTI-MONEY LAUNDERING &
KNOW YOUR CUSTOMER POLICY**
Version 2.0



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Introduction

IIFL Samasta Finance Ltd Finance Limited, hereinafter referred to as Company or ISFL, recognizes its role as a corporate entity and is committed to adopt industry best practices. The company ensures to provide access to quality services to all its customers by instituting the latest industry norms as policies and procedures, and imparts training to all its employees for compliance. In this regard, the Anti-Money Laundering & Know Your Customer (AML-KYC) policy of the company is being revised in lines with the RBI Master Direction DOR.AML.REC.No.15/14.01.001/2021-22 incorporating all the latest updates as issued by the Reserve Bank of India.

Objective

The objective of this policy is to ensure that the identity of every customer of IIFL Samasta Finance Ltd. is fully established and the customer at any point in the lending cycle with the company does not pose any kind of financial risk. Additionally, the policy aims to prevent the company from being used, intentionally or unintentionally, by criminal elements for money laundering activities. The Board of Directors, Management and all employees shall adhere to these standards to protect the company and its reputation from being misused for money laundering and/or terrorist financing or other illegal purposes.

The company has framed its KYC & AML policy incorporating the following key elements:

- Customer Acceptance & Identification Procedures
- Customer Due Diligence and OVDs
- Record Maintenance & Updating
- Monitoring of Transactions
- Risk management

Scope

This policy is applicable to all the employees and all the customers of IIFL Samasta Finance Ltd Finance Limited.

Definitions

"Aadhaar Act, 2016" shall refer to the Aadhaar (Targeted Delivery of Financial & Other Subsidies, Benefits & Services) Act, 2016, as may be amended from time to time. (ii) **"Act"** or **"Rules"** means the Prevention of Money Laundering Act, 2002 and Prevention of Money Laundering (Maintenance of Records) Rules, 2005, and the same shall also be referred to as **"PML Act and PML Rules"**, respectively.

"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.

"Aadhaar number", as defined in the Aadhaar and Other Law (Amendment) Ordinance, 2019, means an identification number issued to an individual under sub-section (3) of section 3 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016), and includes any alternative virtual identity generated under sub-section (4) of that section."

"Certified Copy of OVD" - Obtaining a certified copy by regulated entity shall mean comparing the copy of officially valid document so produced by the customer with the original and recording the same on the copy by the authorised officer of the regulated entity.

"Offline Verification", as defined in the Aadhaar and Other Law (Amendment) Ordinance, 2019, means the process of verifying the identity of the Aadhaar number holder without authentication, through such offline modes as may be specified by the Aadhaar regulations.

"Know Your Customer (KYC)" is defined as the process by which Financial Institutions (FI) obtain information about the identity and address of the customers. This process helps to ensure that FI's services are not misused, intentionally or unintentionally by criminal elements for money laundering.

"eKYC" is the process by which financial institutions verify a customer's identity through a digital mode, and there is no need for physical documentation. eKYC is backed by biometric verification.

"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.

"Money Laundering" is defined as direct or indirect attempts to indulge or knowingly assist or knowingly be a party or be actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property.

"Proceeds of crime" means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to scheduled offence or the value of any such property.

"Customer" is defined for the purpose of KYC Norms, as a person who is engaged in a financial transaction or activity with ISFL and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

"Transaction" is defined as a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes- opening of an account, 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, any payment made or received in whole or in part of any contractual or other legal obligation and establishing or creating a legal person or legal arrangement.

"Suspicious Transaction" means a "transaction" as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith a. gives rise to a reasonable ground of

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

“RBI Directions” means provisions which are applicable to the Company under RBI Master Directions – Know Your Customer Directions, 2016, or such other Circulars, Notifications or guidelines issued by RBI from time to time about AML / KYC requirements.

“Officially Valid Documents” or **“OVDs”** means the passport, the driving licence, proof of possession of Aadhaar number, the Voter’s Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address including such other amendments as may be made to RBI Directions, from time to time.

Appointment of Designated Director & Principal Officer

Designated Director

To ensure compliance with the obligations under the Act and Rules, the Company has nominated a Director on their Board as the “Designated Director”. The name, designation and address of the Designated Director is communicated to the FIU-IND.

Principal Officer

The company has appointed a senior management officer designated as Principal Officer. Principal Officer shall be located at the head office of the company and shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations. The name, designation and address of the Principal Officer is communicated to the FIU-IND.

Know Your Customer (KYC)

The company has majority of its customers from the lower economic strata and hence majority of the client base is low-risk profile. However, to ensure compliance with RBI Directions of KYC-AML, all the provisions related to Customer Identification, Customer Due Diligence, Risk Management and Monitoring of Transactions shall be strictly adhered to. As mandated by the RBI Directions, the company shall follow the processes regarding customer identification and acceptance in accordance with applicable provisions of Aadhaar Act, 2016 and Regulations made there under.

Customer Acceptance

IIFL Samasta Finance Ltd. shall ensure the following as a part of the Customer Acceptance Norms:

- i. KYC information is sought while opening an account and during periodic updation of KYC

- ii. KYC documentation is mandatory for all borrowers, co-borrower, Guarantor & POA Holder while sanctioning a loan
- iii. Apply the CDD procedure and Unique Customer Identification Code (UCIC) Level
- iv. Loans by ISFL shall be provided only to Indian Citizens

The company shall open no account in the following circumstances:

- i. Anonymous or fictitious/benami name or
- ii. Where the company is unable to apply appropriate Customer Due Diligence measures due to non cooperation/non-reliability of documents/information

Note- The Customer Acceptance Norms shall not result in denial of ISFL's services to members of the general public, especially those, who are financially or socially disadvantaged.

Customer Identification Procedure

Customer Identification means undertaking Customer Due Diligence (CDD) measures while commencing relationship including identifying and verifying the customer on the basis of one of the Officially Valid Documents. IIFL Samasta Finance Ltd shall undertake identification of customers in the following cases:

- i. Commencement of an account-based relationship with the customer
- ii. When there is a doubt about the authenticity or adequacy of the customer identification data
- iii. When the company has reason to believe that a customer (account-based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand

Information collected from the customer for the purpose of opening of account shall be kept as confidential and not shall divulge any details thereof for cross selling or any other purposes without the express permission of the customer. Any other information from the customer shall be sought separately with his /her consent and after opening the account.

Customer Due Diligence

While undertaking Customer Due Diligence, it is mandatory for IIFL Samasta Finance Ltd to obtain the Originally Verified Documents (OVD) information from an individual while establishing an account based relationship with an 'individual' or dealing with the individual who is a beneficial owner, authorized signatory or the power of attorney holder related to any legal entity.

Originally Verified Documents - OVD

Atleast two OVDs must be collected from all customers. If the primary OVDs do not contain the address, then one primary OVD and one secondary OVD (which contains address proof) may be selected.

The list of acceptable Officially Valid Documents for Customers of IIFL Samasta Finance Ltd are as follows:

	Microfinance loans	Non-microfinance loans
Primary	<ol style="list-style-type: none"> 1. Aadhaar Card 2. Voter ID 	<ol style="list-style-type: none"> 1. Aadhaar Card 2. Voter ID 3. PAN Card (Not available then Form 60)
Secondary	<ol style="list-style-type: none"> 1. Aadhaar Card 2. Voter ID 3. Driving License 4. Passport 5. Job card issued by NREGA duly signed by an officer of the State Government 6. Ration Card 	<ol style="list-style-type: none"> 1. Aadhaar Card 2. Voter ID 3. Driving License 4. Passport 5. Job card issued by NREGA duly signed by an officer of the State Government

Additional Guidelines:

- PAN Card is mandatory for all non-microfinance loans.
- In case if customer wants to provide a current address, different from the address as per Aadhaar, then s/he must give a self-declaration to that effect to IIFL Samasta Finance Ltd.
- In case an equivalent e-document of any OVD is received, then IIFL Samasta Finance Ltd shall verify the document and take a live photo of the customer.
- Self attestation of the documents is mandatory on OVD either through physical or digital signature of the customer. Above mentioned OVD (Address Proof) are applicable for both Permanent and Current Address. Details of "Permanent Address" will be captured in system.

Deemed OVD

Where above documents furnished by the customer does not have updated current address, the following documents may be collected for the limited purpose of proof of address:

- Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill).
- Property or Municipal tax receipt
- Pension or family pension payment orders (PPOs)
- Letter of accommodation from employer issued by State or Central Govt departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation.

OVD for Business Proof for Non-Individuals

- Registration certificate
- PAN Card of Business/entity
- IT Return or any other proof of Business as mandated by the respective product note (Please refer the respective Product Note for Non-Individual OVDs)

Customer Due Diligence by Third-Party

For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, if IIFL Samasta Finance Ltd. relies on customer due diligence done by a third party, the following conditions shall be adhered to:

- Records the information of the customer due diligence carried out by the third party is obtained within two days from the date of request by ISFL or from the Central KYC Records Registry
- Adequate steps are taken to ensure that copies of identification data and other relevant documentation relating to the CDD requirements are made available from the third party upon request without delay.
- The third party is regulated, supervised or monitored for, and has measures in place for compliance with CDD and record-keeping requirements
- The third party shall not be based in a country or jurisdiction assessed as high risk.
- The ultimate responsibility for CDD and undertaking enhanced due diligence measures, as applicable, will be with IIFL Samasta Finance Ltd.

Politically Exposed Persons (PEPs)

"Politically Exposed Persons" (PEPs) are individuals who are or have been entrusted with prominent public functions e.g., Heads of States/ Governments, Senior politicians, senior government/ judicial/ military officers, senior executives of state-owned corporations, important political party officials, etc.

Loan funding to PEPs may be exceptionally done in following scenarios only:

- Sufficient information including information about the sources of funds accounts of family members and close relatives is provided by the PEP
- The identity of the person shall have been verified before accepting PEP as customer
- The decision to fund loan to PEP is taken by the Head of Risk Department and/or MD in accordance with the Customer Acceptance Policy

All such loans are subjected to enhanced monitoring on an on-going basis. The CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.

In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, ISFL shall record the list of such customers, and ensure that subsequent funding is done to such customers based on the above mentioned criteria.

Maintenance of Records

The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provisions of PML Act and Rules. IIFL Samasta Finance Ltd shall:

- 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.
- Preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least ten years after the business relationship is ended
- Make available the identification records and transaction data to the competent authorities upon request
- Introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005)
- Evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities
- Maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:
 - ✓ The nature of the transactions;
 - ✓ The amount of the transaction and the currency in which it was denominated;
 - ✓ The date on which the transaction was conducted; and
 - ✓ The parties to the transaction.

Update of Documents

Periodic update of documents shall be carried out at least once in every two years for customers for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers subject to the following conditions:

- Fresh proofs of identity and address shall not be sought at the time of periodic update, from customers who are categorised as 'low risk', when there is no change in status with respect to their identities and addresses and a self-certification to that effect is obtained.
- A certified copy of the proof of changed address has to be collected from 'low risk' customers in case of change of address shall be acceptable.
- Physical presence of low risk customer at the time of periodic update shall not be insisted upon.
- The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.

Anti-Money Laundering

Risk Management/ Risk Assessment :

IIFL Samasta Finance Ltd shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and should have Board approved policies, controls and procedures in this regard. Further, it shall monitor the implementation of the controls and enhance them if necessary.

In accordance with the mandate by RBI vide its Master Circular DOR.AML.BC.No.66/14.01.001/2019-20 dated 20/04/2020 on Internal ML/TF risk assessment by Regulated Entities (RE) which states - "Amendment to Master Direction (MD) on KYC has advised all Regulated Entities to 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. In this context, ISFL has developed a complete process by which any borrower would be categorized under a risk category at the time of availing a loan. The risk categorization aspect is as follows:

(i) Low Risk: Individuals (other than High Net Worth) and entities whose identity and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile may be categorized as low risk. Illustrative examples of low risk customers could be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover, Government Departments & Government owned companies, regulators and statutory bodies, etc. The low-risk customers of ISFL would comprise of (but is not limited to) follows:

- ✓ Women and Indian nationals.
- ✓ Customer's identity and residence address are established respectively from their Aadhaar card and Ration Card or Voter ID card and also from personal visits by officials of ISFL.
- ✓ All salaried profiles
- ✓ Small proprietors, partners with clearly identifiable, related & relatively stable source of income since last 2-3 years as the case may be.
- ✓ Standard of living that is consistent with income sources established through both documents and visits to business place.
- ✓ Customers whose source of income can be easily identified and transaction in whose accounts by and large conform to the known profile (unless specifically identified as high or medium risk).
- ✓ Customers belonging to the lower socio - economic strata whose annual household income in rural areas and in semi-urban / urban areas do not exceed Rs. 3 lakhs.
- ✓ All of them live in rural / semi-urban / urban India pursuing agriculture / allied activities / small enterprise financed by own source of funds supplemented by small borrowings from ISFL

(ii) Medium Risk: Customers that are likely to pose a higher than average risk to the company may be categorized as medium or high risk depending on customer's background, nature and location of activity,

country of origin, sources of funds and his client profile, etc. The medium-risk customers of ISFL would comprise of (but is not limited to) follows:

- ✓ Customers belonging to the restricted profiles as defined in the policy manual from time to time.
- ✓ Customers with inconsistent incomes year on year.
- ✓ Their level of annual income / turnover is between Rs. 3 lakhs and Rs.15 lakhs. They borrow from ISFL within the mentioned threshold limit either as part of the JLGs or as individual members of the group.

Examples of customers in Medium Risk Category include providers of telecommunications service, internet café, IDD call service, phone cards, phone centre, travel agency etc.

(iii) High Risk: Examples of customers requiring higher due diligence may include:

- ✓ Stability of place of residence/office not established
- ✓ Country of origin not established
- ✓ Firms with "sleeping partners"
- ✓ Politically Exposed Persons and related individuals/entities
- ✓ Non-Resident customers (Main applicant)
- ✓ High Net Worth customers (Customers that have relationship values across various banks/FIs in excess of Rs.20 cr)

Monitoring of Transactions:

Ongoing monitoring is an essential element of effective AML-KYC practices. ISFL can effectively control and reduce its risk only if it has an understanding of the normal and reasonable activity of the customer so that it can identify transactions that fall outside the regular pattern. However, the extent of monitoring will depend on the risk sensitivity of the account. Since ISFL will not have any deposit accounts, this situation will hardly arise, but ISFL will in any case pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose, or transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer.

ISFL will put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures. ISFL will ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002 (and the Amended Act, 2009). It will also ensure that transactions of suspicious nature and/or any other type of transaction notified under section 12 of the PML Act, 2002 (and the Amended Act, 2009), is reported to the appropriate law enforcement authority. ISFL shall undertake the following steps in regards with monitoring of transactions apart from those mentioned above:

- For MFI customers, the Company will use the MFIN published Ring Leader data for potential AML angle
- Cash Transaction Report & Suspicious Transaction Alerts (CTR & STR) System Alerts - Cash received in excess of Rs 10 lakhs from any customer account (borrower level) in a month will generate a system alert and will be sent to CRO and CCO

- Maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format for:
 - All cash transactions of the value of more than Rupees Ten Lakh or its equivalent in foreign currency;
 - All Series of all cash transactions individually valued below Rupees Ten Lakh, or its equivalent in foreign currency which are that have taken place within a month and the monthly aggregate which exceeds rupees ten lakhs or its equivalent in foreign currency. For determining 'integrally connected transactions' 'all accounts of the same customer' shall be taken into account.
 - All transactions involving receipts by non-profit organisations of value more than rupees ten lakh or its equivalent in foreign currency [Ref: Government of India Notification dated November 12, 2009- Rule 3, sub-rule (1) clause (BA) of PML Rules]
 - 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 or a document has taken place facilitating the transaction
 - All suspicious transactions, whether or not in cash, made as mentioned in the Rules.
 - All documents/office records/memorandums pertaining to transactions, as far as possible, will be examined and any findings at branch as well as Principal Officer level shall be properly recorded. Such records and related documents shall be made available to help auditors to scrutinize the transactions and also to Reserve Bank/other relevant authorities
- Loans sanctioned to negative profiles listed in the product loan document, Vigilance to check the same on periodic basis and report to Business Teams/CRO/CCO for further action
-

Reporting to Financial Intelligence Unit

The Company shall furnish to the Director, Financial Intelligence Unit-India (FIU-IND), information referred to in Rule 3 of the PML (Maintenance of Records) Rules, 2005 in terms of Rule 7 thereof. (such as cash transaction report, suspicious transaction report etc). In terms of the PMLA rules, ISFL will report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director,
 Financial Intelligence Unit-India,
 6 th Floor, Hotel Samrat,
 Chanakyapuri, New Delhi-110021

ISFL will ensure that the provisions of PMLA Rules framed and the Foreign Contribution and Regulation Act, 1976, wherever applicable, are adhered to strictly

FATF recommendations:

The Financial Action Task Force (FATF) is an inter-governmental policy making body whose purpose is to establish international standards, and to develop and promote policies, both at national and international levels, to combat money laundering and the financing of terrorism.

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

- Special attention shall be given to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF Statements.
- The background and purpose of transactions, if any with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations shall be examined, and written findings together with all documents shall be retained and shall be made available to Reserve Bank/other relevant authorities, on request.
- The Company shall ensure that any of the existing or new customers are not in the prohibited list of individuals and entities which are periodically prescribed by local regulator from time to time. Compliance monitoring of such individuals / entities are done periodically by screening them against the below lists provided under RBI Directions, as amended from time to time:
 - Al-Qaeda Sanctions List: <https://scsanctions.un.org/en/?keywords=al-qaida>
 - 1988 Sanctions List: <https://scsanctions.un.org/549pwen-taliban.html>
- Pursuant to the above screening, if any of the accounts of customers of individuals or entities are categorised as 'High-Risk', then the Company shall follow the enhanced due diligence procedures prescribed under RBI Directions.

Other Aspects of KYC-AML

Introduction of New Technologies

The company shall pay special attention to any money laundering threats that may arise from new or developing technologies that might favour anonymity, and take measures, if needed, to prevent its use in money laundering schemes.

Staff Training

The company shall have an ongoing employee training programme so that the members of the staff are adequately trained in KYC procedures. Training requirements shall have different focuses for front line staff, compliance staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policy and implement the same consistently.

Customer Education

Implementation of KYC procedures requires the company to demand certain information from customers, which may be of personal nature or which have hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. The company shall prepare specific literature/ pamphlets etc. so as to educate the customer of the objectives of the KYC programme. The front desk staff shall be specially trained to handle such situations while dealing with customers.

Internal Audit

The company's internal audit functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures. Internal Auditors shall 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 shall be put up before the Audit Committee of the Board on periodic intervals.
