



# KISAN RURAL FINANCE LIMITED

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### "Know Your Customer" (KYC) & Prevention of Money Laundering Act (PMLA) Policy

Reserve Bank of India (RBI) on February 25, 2016 (bearing ref no. RBI/DBR/2015-16/18 DBR.AML.BC. No.81/14.01.001/2015-16) notified the Know your customer (KYC) Directions, 2016 (KYC Directions, 2016), inter alia, directing that every Regulated Entity shall have a Know your customer (KYC) Policy duly approved by the Board of Directors. These directions have been issued by the RBI in terms of the provisions of Prevention of Money-Laundering Act, 2002 (PMLA) and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005.

Kisan Rural Finance Limited (Kisan Finance), being an Registered Entity is required to put in place a comprehensive KYC policy framework, duly approved by Board of Director or competent authority authorised by the Board of Directors, in this regard. Accordingly, this policy document has been prepared in line with the KYC Directions 2016 and other applicable guidelines and shall be known as 'Know Your Customer (KYC) & Prevention of Money Laundering (PMLA) Policy of Kisan Rural Finance Limited' (hereinafter, referred as 'Policy').

#### Applicability of the Policy

This Policy shall be applicable to all the establishments, offices and branches of Kisan Finance from where it carries on its activities.

#### **Objectives:**

- a. To put in place systems and procedures to help control financial frauds, identify money laundering and suspicious activities and safeguarding the company from being unwittingly used for transfer or deposit of funds derived from criminal activity or for financing of terrorism;
- b. To put in place systems and procedures for customer identification and verifying his / her identity and residential address; and
- c. To monitor transactions of a suspicious nature.

#### **Definition of Customer:**

- a. A person or entity that maintains an account and/ or has a business relationship with the company in respect of lending and investments and this includes individuals, companies, partnership firms, banks, mutual funds, Limited Liability Partnerships, unincorporated entities, trusts and / or overseas corporate bodies and in respect of its wind power business, its suppliers, vendors and consumers in any capacity, whether as an individual or otherwise as explained herein;
- b. Beneficial owner(s) of the above said entities;
- c. Professional intermediaries, such as stock brokers, agents, chartered accountants and solicitors as permitted under law; or
- d. Any other person or entity connected with a financial transaction, which can pose significant reputational or other risks to the company.

**Procedure for Customer Identification & Acceptance & other matters:**

- a. In respect of financial services, the activities of the Company mainly comprise of retail lending and hence here, the customer of the company can be broadly classified into the categories, as referred to in Para II (i) above.
- b. Customer identification means identifying the customer and verifying his / her identity by using reliable and independent source of documents, data or information to ensure that the customer is not a fictitious person.
- c. The company shall ensure that its customer is not a fictitious person by verifying the identity of the customer through documentation and shall also carry out necessary checks, so as to ensure that the identity of the customer on the basis of the documents obtained does not match with any person with known criminal background or with banned entities, such as individual terrorists or terrorist organizations. The company shall periodically monitor its customer base with the RBI circulars and information providing such lists of terrorists or terrorist organizations.
- d. The company may collect such documents and other information in respect of different categories of its customers depending on perceived risk and keeping in mind the requirements of Prevention of Money Laundering Act, 2002 and guidelines issued by the RBI from time to time. Besides risk perception, the nature of information / documents required would also depend on the type of the customer (individual, corporate etc.)
- e. The company may prepare a profile for each new customer based on risk categorization. The customer profile may contain information relating to customer's identity, profile, social / financial status and nature and location of its business activity.
- f. There are certain indicative guidelines issued by RBI from time to time for customer identification requirements with regard to matters, such as `Trust / Nominee or Fiduciary Accounts, Accounts of companies & firms, Client Accounts opened by professional intermediaries, Accounts of Politically Exposed Persons resident outside India and Accounts of non-face-to-face customers and these guidelines may also be adhered to, to the extent applicable.
- g. Politically exposed persons are individuals, who are or have been entrusted with prominent public functions in a foreign country e.g. heads of states or of governments, senior politicians, senior government / judicial / military officers, senior executives of state owned corporations, important political party officials etc. Decision to deal with such persons as a customer shall be taken up at a senior management level and shall be subjected to enhance monitoring.
- h. While opening accounts as described above, the customer would be made aware that if at any point of time, the balances in all his/her accounts with the company (taken together) exceeds rupees fifty thousand (Rs.50,000) or total credit in the account exceeds rupees one lakh (Rs.1,00,000), no further transactions will be permitted until the full KYC procedures is completed.
- i. The Company shall prepare a profile for each new customer during the credit appraisal based on risk categorization as mentioned in this policy. The customer profile shall contain the information relating to the customer's identity, social/financial status, nature of business activity, information about his clients' business and their location, etc. The

nature and extent of due diligence will depend on the risk perceived by Kisan Finance. At the time of credit appraisal of the applicant the details are recorded along with his profile based on meeting with the applicant (by the Kisan Finance representative) apart from collection of applicable document, this will be as per the Credit/ products 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. Any other information from the customer should be sought separately with his/her consent and after opening the account. The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or for any other purposes. Further Kisan Finance shall allot a Unique Customer Identification Number to each of its Customer.

- j. As per KYC policy, for acceptance and identification, Kisan Finance Customers shall be categorized based on perceived risk broadly into three categories – A, B & C. Category A includes high risk customers, Category B contain medium risk customers while Category C customers include low risk. None of the entities will be exempted from Kisan Finance's KYC procedure, irrespective of the status and relationship with Company or promoter.

The above requirement may be moderated according to the risk perception.

- A. High Risk – (Category A): High risk customers typically includes:
- Non – resident Customers
  - High net worth individuals without an occupation track record of more than 3 years
  - Trust, charitable organizations, non govt. organization (NGO), organizations receiving donations,
  - Companies having close family shareholding or beneficial ownership.
  - Firms with sleeping partners
  - Politically exposed persons (PEPs) of Indian/ foreign origin
  - Non face to face customers
  - Person with dubious reputation as per public information available.
- B. Medium Risk – (Category B): Medium risk customers will include:
- Salaried applicant with variable income/ unstructured income receiving Salary in cheque
  - Salaried applicant working with Private Limited Companies,
  - Self-employed professionals other than HNIs,
  - Self-employed customers with sound business and profitable track record for a reasonable period, and
  - High net worth individuals with occupation track record of more than 3 years
- C. Low Risk – (Category C): Low risk individuals (other than high net worth) and entities whose identities and sources of wealth can be easily identified and all other person not covered under above two categories. Customer carrying low risk may include the following:

- Salaried employees with well-defined salary structures
- People working with government owned companies, regulators and statutory bodies, etc.
- People belonging to lower economic strata of the society whose accounts show small balances and low turnover
- People working with Public Sector Units) People working with reputed Public Limited Companies and Multinational Companies In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, the Company will obtain senior management approval in such cases to continue the business relationship with such person, and also undertake enhanced monitoring as indicated and specified in Annexure I.

**Note:**

Kisan Finance shall periodically update Customer Identification Data after the transaction is entered. The periodicity of updation of Customer Identification data shall be once in ten years for low risk category customers, at least every eight years for medium risk customers and at least two years in case of high risk category customers Fresh photographs shall be obtained in case of minor customer on becoming major

- k. One or more of the following valid self-attested documents may be called for from the customers as proof of their identity and address:

**Type of Customer Documents**

In case of Individuals Identity proof: (Copy of one of the following)

- Income Tax Pan Card
- Passport
- Voter's Identity Card
- Driving License
- Aadhar card ( both manual and e-card)
- Bank Pass Book with photo (Scheduled Bank)
- Any Govt Issued ID's

Residence proof: (Copy of one of the following)

- Latest Telephone bill
- Latest Electricity bill
- Registered rental/lease/sale agreement
- Passport
- Ration Card
- Voter's Identity Card
- Driving License
- Latest Bank Account statement or Bank Pass Book of Scheduled Bank
- Latest Credit Card statement
- Adhar Card
- Any Govt Issued documents verify address of Customer

In case of Non-Individual Identity & Residence proof (Copies of the following)

- Income Tax Pan Card
- Incorporation Certificate & Memorandum & Articles of Association (Registration Certificate & Deed, in case of Partnership firm/Trust)
- List of Directors/Partners/Trustees along with their residential addresses & copies of their PAN card or Passport.
- Latest shareholding pattern, along with the list of major shareholders having more than 20% of holding in case of Company.
- Latest telephone bill or electricity bill or Registered Rental/Lease /Sale agreement or Shops & Establishment Certificate

In addition to verification through one or more of the above said documents, the company may also call for suitable introduction by a person known to the company/group companies.

### **Ceiling & Monitoring of Transactions**

1. The company normally does not and would not have large cash transactions. However, if and when cash transactions of Rs.10 lakhs and above are undertaken, the company will keep proper record of all such cash transactions in a separate register maintained at its office.
2. The company shall monitor transactions of a suspicious nature on an ongoing basis for the purpose of reporting it to the appropriate authorities. The extent of monitoring by the Company will depend on the risk sensitivity of the account and special attention will be given to all complex unusually large transactions, which have no apparent economic or lawful purpose.
3. The company shall promptly report such high value cash transactions or transactions of a suspicious nature to the appropriate regulatory and investigating authorities.

### **Risk Management:**

The company may categorize its customers into 'High Risk' & 'Others' according to risk perceived based on its experience and review it from time to time. The company may devise procedures for creating risk profiles of its existing and new customers and apply various Anti-Money Laundering measures keeping in view the risks involved in a financial transaction or a business relationship. The company's internal audit and compliance functions shall play an important role in evaluating and ensuring adherence to KYC policies and procedure, including legal and regulatory requirement. The internal audit machinery shall be at all points of time staffed adequately with individuals who are well versed in such policies and procedures. The company for this purpose, if required, may also engage independent risk management companies/agencies and solicit their independent opinion. The compliance in this regard is being and will continue to be put up before the Audit Committee/Board on a periodical basis.

### **Customer & Staff Education:**

The company may have an ongoing employee training program, so that staff members are adequately trained in KYC procedures, who in turn may also educate customer from time to

time. The frontline lending and operating managers shall be fully equipped with the compliance requirements of KYC guidelines in respect of new customer acquisition and shall adhere to the Customer Identification & Acceptance procedure as above. The rationale of KYC guidelines shall be updated periodically to new staff members also on an ongoing basis. The company shall also prepare an information data file compiling all relevant particulars of its customers, which may be of a personal nature. The said data shall also comprise all related KYC information in respect of existing and past customers.

Suspicious transactions shall be reported immediately to the principal officer of the company:

Name: Ranjan Sharma  
Designation: Managing Director  
Phone: 91-9811068026  
Email: ranjan.sharma@kisanfinance.com

The Senior Management of the company shall take necessary steps to advise their concerned staff about the importance of compliance with above KYC & PMLA norms for depositors and borrowers, as the case may be.

In addition to the guidelines given under the aforesaid Policy, the company may also stipulate other guidelines through its Investment Policy & other policy documents and the same are also to be adhered to.

#### **Appointment of Designated Director**

With the enactment of Prevention of Money Laundering (Amendment) Act, 2012 and amendment to Section 13 of the Act which provides for "Powers of Director to impose fine", the section 13(2) reads as under:

"If the Director, in the course of any inquiry, finds that a reporting entity or its designated director on the Board or any of its employees has failed to comply with the obligations under this Chapter, then, without prejudice to any other action that may be taken under any other provisions of this Act, he may

- a. issue a warning in writing; or
- b. direct such reporting entity or its designated director on the Board or any of its employees, to comply with specific instructions; or
- c. direct such reporting entity or its designated director on the Board or any of its employees, to send reports at such interval as may be prescribed on the measures it is taking; or
- d. by an order, levy a fine on such reporting entity or its designated director on the Board or any of its employees, which shall not be less than ten thousand rupees but may extend to one lakh rupees for each failure."

In view of the above amendment, Kisan Finance has nominated Mr. Ranjan Sharma, Principal Officer to ensure compliance with the obligations under the Prevention of Money Laundering (Amendment) Act, 2012.