

KYC POLICY

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KNOW YOUR CUSTOMER (KYC) AND PREVENTION OF MONEY LAUNDERING ACTIVITIES POLICY

Contents

1	OBJECTIVES	3
2	DEFINITIONS.....	3
3	KEY ELEMENTS OF THE POLICY	4
3.1.	CUSTOMER ACCEPTANCE POLICY (CAP).....	4
3.2	CUSTOMER IDENTIFICATION PROCEDURE (CIP).....	5
3.2.1	CUSTOMER DUE DILIGENCE PROCEDURE (CDD) in case of individuals.....	5
3.2.2	SIMPLIFIED PROCEDURES FOR SMALL VALUE GOLD LOANS	6
3.3	MONITORING OF TRANSACTIONS	6
3.3.1	ONGOING DUE DILIGENCE	7
3.3.2	PERIODIC UPDATION.....	7
4.	ENHANCED DUE DILIGENCE	8
5.	CONFIDENTIALITY OF INFORMATION ABOUT CUSTOMERS.....	8
6.	MAINTENANCE OF RECORDS OF TRANSACTIONS	9
7.	GENERAL	10
8.	COMPLIANCE OF KYC POLICY	10
	ANNEXURE I	11
	ANNEXURE II.....	14
	ANNEXURE III	15
	ANNEXURE IV.....	17

1. OBJECTIVES

The KYC AML policy is framed in line with RBI Direction/Prevention of the Money Laundering Act,2002/Rules as amended from time to time.

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

1. To prevent criminal elements from using Company for Money Laundering and Terrorist Funding activities.
2. To put in place an effective system and procedure for Customer identification and verifying its/ his /her identity and residential address.
3. 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.
4. To put in place appropriate controls for detection and reporting of suspicious activities as envisaged under the Anti Money Laundering Act 2002 and in accordance with laid down procedures;
5. To comply with applicable laws and regulatory guidelines.

2. DEFINITIONS

1. “Customer“means;
 - a) a person who is engaged in a financial transaction or activity with SFSPL and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
 - b) any other person connected with a financial transaction which can pose significant reputation or other risks to SFSPL.
2. “SeniorManagement”
Senior Management for the purpose of the policy shall constitute Executive Director ,Head-Credit ,Head-Operations ,Head-Compliance and Head-Risk Management.
3. “Obtaining certified copy of Officially Valid Document (OVD)”–Means comparing the copy of OVD with the original and recording the same on the copy by authorized officer of SFSPL.

Provided that in case of Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs),as defined in Foreign Exchange Management (Deposit) Regulations, 2016 {FEMA 5(R)}, alternatively, the original certified copy of OVD, certified by any one of the following, may be obtained:

- authorized officials of overseas branches of Scheduled Commercial Banks registered in India,
- branches of overseas banks with whom Indian banks have relationships,

- Notary Public abroad,
- Court Magistrate,
- Judge,
- Indian Embassy/Consulate General in the country where the non-resident customer resides.

Certified OVD shall also contain the customer id number and shall be filed carefully for future verification.

3 KEY ELEMENTS OF THE POLICY

This policy is applicable to all customers, business operations and services including DP (i.e. intermediaries registered under Section 12 of the SEBI Act), Money Transfer Services, etc. and also applicable to business verticals of SFSPL and it is to be read in conjunction with related operational guidelines issued from time to time.

The policy includes the following key elements:

- a. Customer Acceptance Policy(CAP)
- b. Customer Identification Procedures(CIP)
- c. Monitoring of Transactions
- d. Risk Management

3.1 CUSTOMER ACCEPTANCE POLICY (CAP)

SFSPL's CAP lays down criteria for acceptance of customers. While taking decision to grant any facilities to the customers as well as during the continuation of any facilities the following or msand procedures will be followed by the company

- a. No account will be opened in anonymous or fictitious / benami name.
- b. Customers will be accepted only after verifying their identity, as laid down in Customer Identification Procedures. Necessary checks will be done before opening a new account to ensure that the identity of the Customer does not match with any person with known criminal background or with banned entities.
- c. SFSPL will refrain from opening an account where the company is unable to apply appropriate Customer Due Diligence (CDD) measures either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.
- d. A Unique Customer Identification Code (UCIC)/LOAN ACCOUNT NUMBER shall be allotted to new and existing customers. SFSPL shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of SFSPL desires to open an other account with SFSPL, there shall be no need for a fresh CDD exercise.

Implementation of CAP should not become too restrictive and result in denial of the

SFSPL's services to general public, especially those who are financially or socially disadvantaged.

3.2 CUSTOMER IDENTIFICATION PROCEDURE (CIP)

Customer Identification involves verification of customer's identity by using reliable, independent source documents, data or information. SFSPL shall obtain enough information necessary to verify the identity of each Customer. A broad guideline for the customer identification is given below:

SFSPL shall ensure that Customer identification process is under taken, whenever;

- a. An account-based relationship is being established;
- b. There is doubt about the authenticity or adequacy of customer identification data already obtained.

3.2.1 CUSTOMER DUE DILIGENCE PROCEDURE (CDD) IN CASE OF INDIVIDUALS

For undertaking CDD, SFSPL shall obtain the following from an individual while establishing an account-based relationship or while dealing with individual who is a beneficial owner, authorized signatory or power of attorney holder related to any legal entity;

- a. A certified copy of Officially Valid Documents (OVD), as given in Annexure I ,containing details of proof of their identity and address;
- b. One recent photograph (For the gold/silver loan customers capturing of photos Of The individuals and keeping in the software to be continued); and
- c. Such other documents pertaining to the nature of business or financial status specified in this policy.

SFSPL may carry out Offline Verification of customers if they are desirous of under going Aadhar Offline Verification for identification purposes.

The e-KYC service of Unique Identification Authority of India (UIDAI) shall be accepted as a valid process for KYC verification ,when NBFCs or itself are authorized by RBI to do such verification for establishing account-based relationship.

3.2.2 SIMPLIFIED PROCEDURES FOR SMALL VALUE GOLD/SILVER LOANS:

For customers with aggregate loans below Rs. Two lakhs , Proof of Identity/Address like Aadhar card alone will be sufficient.

If a person is unable to produce identity documents as mentioned in Annexure I (ie, any of OVDs), interim / Temporary KYC documents 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 subject to the following conditions:

- a. The customer may provide a self-attested photograph of the customer.
- b. Branch Head shall certify under his/her signature that the customer has affixed his signature or thumb impression in his presence.
- c. The account shall remain operational initially for 12 months, within which the customer must furnish his identity documents for conducting CDD as mentioned in para3.2.1. Customer shall be suitably informed at the time of starting the relationship.
- d. KYC verification once done by one branch shall be valid for transfer of account to any other branch, provided full KYC verification has already been done and the same is not due for periodic updation.

3.3 MONITORING OF TRANSACTIONS

SFSPL shall monitor transactions of a suspicious nature on an ongoing basis for the purpose of reporting it to the appropriate authorities. (An illustrative list of suspicious transactions is given in Annexure III).The extent of monitoring by the SFSPL 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.

- e. SFSPL shall exercise caution with respect to the transactions with persons (including legal persons and other financial institutions) from the countries which have been identified by FinancialActionTaskForce(FATF)as high risk and non-cooperative jurisdictions with respect to compliance with the FATF Recommendations ,2012.
- f. SFSPL shall file Suspicious Transaction Report (STR), Cash Transaction Report (CTR), counterfeit currency report (CCR) and other applicable reports filling under FATCA in terms of the direction of the RBI/PMLA in respect of all products/services

3.3.1 ON GOING DUE DILIGENCE

- a. SFSPL shall undertake on going due diligence of customers to ensure tha their transactions are consistent with their knowledge about the customers ,customer's business and risk profile ;and source of funds.
- b. Any unusual pattern in the operations of the accounts like transactions exceeding threshold limits, high turnover in the accounts compared to the average outstanding etc. shall be closely monitored .The extent of monitoring shall be aligned with the risk category of the Customer and high-risk category accounts shall be subjected to more intensified monitoring.
- c. A system of periodic review of risk categorization of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.

3.3.2 PERIODIC UPDATION

Periodic updation shall be carried out at least once in every two years, for high risk Customers ,once in every eight years for medium risk Customers and once every ten years for low risk Customers as per the following procedure:

- a. CDD as specified in para 3.2.1 shall be carried out at the time of updation .In the case of low risk customers when there is no change in status with respect to their identities and addresses ,a self-declaration to that effect shall be obtained.
- b. In case of legal entities, SFSPL shall review the documents sought at the time of opening of account and obtain fresh certified copies.
- c. Physical presence of the customers need not be insisted up on for the purpose of furnishing OVD or furnishing consent for Aadhar Offline verification unless there are sufficient reasons for their physical presence to establish their bona-fides. In normal case, OVD/Consent forwarded by the customer rough mail/post ,etc., can be accepted.
- d. SFSPL may provide an acknowledgement with date of having performed KYC updation.

MONEY LAUNDERING AND TERRORIST FINANCING RISK ASSESSMENT

SFSPL 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, cognizance of the overall sector-specific vulnerabilities if any, that the regulator/supervisor may share from time to time shall be taken.

The risk assessment exercise shall be conducted on a yearly basis and parameters of the assessment shall be modified, in alignment with the outcome of the risk assessment exercise.

4. ENHANCED DUE DILIGENCE

4.1 Accounts of Politically Exposed Persons (PEP): Special care and diligence will be taken in respect of Politically Exposed Persons .Generally ,the SFSPL would not open accounts of PEP .Decision to deal with such persons as a Customer shall be taken up at a senior management level and shall be subjected to enhanced monitoring.

4.2 Accounts of non-face-to-face customers: These customers are those who opened

accounts without visiting the branches/offices of SFSPL or meeting its officials.

4.3 CUSTOMERS OF SPECIAL CATEGORY (CSC):

Suitable measures should be exercised to conduct independent judgment to ascertain whether new clients engaged through DP services need to be classified as CSC or not. An illustrative list of Special Category Customers identifiable in DP is given in Annexure IV.

5. CONFIDENTIALITY OF INFORMATION ABOUT CUSTOMERS

All the information collected from the customers by SFSPL shall be kept confidential and all such information shall be treated as per the agreement/terms and conditions signed by the customers. Additionally, the information sought from each Customer should be relevant to the risk perceived in respect of that Customer, should not be intrusive and should be in line with the guidelines issued by the RBI in that behalf.

Information collected from customers shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.

Exception to the confidentiality of customer information shall be as under:

- a. Where disclosure is under compulsion of law.
- b. Where there is a duty to the public to disclose.
- c. The interest of the company requires disclosure.
- d. Where the disclosure is made with express or implied consent to the customer.

6. MAINTENANCE OF RECORDS OF TRANSACTIONS

SFSPL shall maintain proper records of the transactions as required under the provisions of PML act and Rules. SFSPL shall

- a. maintain all necessary records of transactions between SFSPL and the customer, both domestic and international, for at least five years from the date of transaction or any other higher periods specified in any other law
- b. 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 five years after the business relationships ended.
- c. 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)
- d. maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:
 - (i) the nature of the transactions;
 - (ii) the amount of the transaction and the currency in which it was denominated;
 - (iii) the date on which the transaction was conducted ;and

(iv) the parties to the transaction.

SFSPL have a system for proper maintenance and preservation of information in a manner (in hard or soft copies) that allows data to be retrieved a silly and quickly whenever required or as/when requested by the competent authorities.

7. GENERAL

7.1. Adherence to KYC guidelines

7.1.1. SFSPL shall make available all information to RBI to verify the compliance with KYC guidelines.

7.2. Principal Officer

SFSPL has designated a Principal Officer (PO) responsible for ensuring compliance, monitoring transactions, sharing and reporting information as required under the law/regulations.

7.3. Designated Director

SFSPL has nominated Executive Director, as Designated Director, to ensure overall compliance with the obligations under Prevention of Money laundering Act, 2002 and Rules framed there under, from time to time.

7.4. Training Programme

SFSPL shall have adequate screening mechanism as an integral part of personnel recruitment / hiring process and also should have an ongoing employee training programs so that members of the staff are adequately trained in KYC/AML/CFT procedures. Training requirements shall have different focuses for frontline staff and officer/staff dealing with new customers so that all concerned fully understand the rationale behind the KYC policies and implement them consistently.

8. COMPLIANCE OF KYC POLICY

- a. SFSPL's internal audit and compliance functions periodically evaluate the level of adherence to the KYC policies and procedures. The compliance function and audit function together shall provide an independent evaluation of the effectiveness of KYC policies and procedures, including legal and regulatory requirements. The Audit Committee of the Board shall review adherence to the KYC guidelines at quarterly intervals.
- b. Internal Audit shall on a yearly basis conduct an evaluation of compliance functions of policies and procedures including legal and regulatory requirements.

ANNEXURE I**OFFICIALLY VALID DOCUMENTS (OVD)****1. Individuals**

Officially Valid Documents (OVD) means the passport , the driving license, proof of possession of Aadhaar number, the voters 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.

Provided that,

- a. Where the customer submits his proof of possession of Aadhaar number as an OVD , he may submit it in such form as are issued by the Unique Identification Authority of India.
- b. Where the OVD furnished by the customer does not have updated address, the following documents shall be deemed to be OVDs for the limited purpose of proof of address:-
 - i. utility bill which is not more than two months old of any service provider (electricity, telephone ,post-paid mobile phone , piped gas ,water bill);
 - ii. property or Municipal tax receipt;
 - iii. pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings ,If they contain the address;
 - iv. 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;
- c. the customer shall submit OVD with current address within a period of three months of submitting deemed OVDs
- d. where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

2. Non-Individuals (Companies, Firms, Trusts etc.)

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

Companies	<p>Certified copies of each of the following documents shall be obtained:</p> <ol style="list-style-type: none"> a) Certificate of incorporation with Memorandum & Articles of Association b) Resolution of Board of Directors for opening the account and Power of Attorney/authorization of persons to operate the account on its behalf c) PAN allotment letter/PAN of the Company <p>Documents as specified in para 1 above of the individuals holding attorney/authorization to transact on company's behalf.</p>
Partnership Firms	<p>Certified copies of each of the following documents shall be obtained:</p> <ol style="list-style-type: none"> a) Registration certificate. b) Partnership deed. c) PAN of the partnership firm <p>Documents as specified in para 1 above of the individuals holding attorney /authorization to transaction its behalf.</p>
Proprietorship Firms	<p>For opening an account, CDD of the individual (proprietor)as mentioned in para 3.2.1 shall be carried out PLUS any two of the below mentioned documents,</p> <ol style="list-style-type: none"> a) Registration certificate, if registered b) Certificate/License issued under Shops & Establishment Act c) GST and Income Tax returns d) GST registration certificate (provisional/final) e) Utility bills such as electricity, water, telephone bills etc. f) 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. g) IEC (Import Export Code) issued to the proprietary concern by the office of DGFT or Licence /certificate of practice issued in the name of the proprietor concern by any professional body incorporated under a statute.

Trusts	<p>For opening an account, certified copies of each of the following documents shall be obtained:</p> <ol style="list-style-type: none"> a) Certificate of registration b) Trust Deed c) Power of attorney authorizing a person to carry out transactions on behalf of the trust d) PAN or Form No.60 of the trust e) Resolution of the managing body of the trust /association. <p>Valid documents identifying the trustees, power of attorney holder etc. (same as applicable for individuals as mentioned in para 1 above).</p>
An unincorporated association or a body of individuals	<p>For opening an account of an unincorporated association or a body of individuals ,certified copies of each of the following documents shall be obtained:</p> <ol style="list-style-type: none"> (a) Resolution of the managing body of such association or body of individuals (b) Permanent Account Number or Form No. 60 of the unincorporated association or a body of individuals (c) Power of attorney granted to transact on its behalf (d) Documents ,as specified in Para 1 ,of the person holding an attorney to transaction its behalf and (e) Such information as may be required by SFSPL to Collectively establish the legal existence of such an association or body of individuals.
Juridical persons not specifically covered in the earlier part ,such as societies ,universities and local bodies like village panchayats	<p>For opening accounts of juridical persons not specifically covered in the earlier part, such as societies, universities and local bodies like village panchayats, certified copies of the following documents shall be obtained:</p> <ol style="list-style-type: none"> (a) Document showing name of the person authorised to act on behalf of the entity; (b) Documents, as specified in Para 1, of the individual holding an attorney to transact on its behalf and (c) Such documents as may be required by SFSPL to establish the legal existence of such an entity / juridical person.

Regulated Entities:

- a. All Scheduled Commercial Banks (SCBs)/ Regional Rural Banks (RRBs)/ Local Area Banks (LABs) / All Primary (Urban) Co-operative Banks (UCBs) / State and Central Co-operative Banks (STCBs/CCBs) and any other entity which has been licensed under Section 22 of Banking Regulation Act, 1949.
- b. All India Financial Institutions (AIFIs).
- c. All Non-Banking Finance Companies (NBFCs), Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non-Banking Companies (RNBCs).
- d. All Payment System Providers (PSPs)/ System Participants (SPs) and Prepaid Payment Instrument Issuers (PPI Issuers)
- e. All authorised persons (APs) including those who are agents of Money Transfer Service Scheme (MTSS), regulated by the Regulator.

ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS

Broad categories of reasons for suspicion and examples of suspicious transactions generally observed in Non-Banking Financial Companies are indicated as under:

1. Identity of client:

- a) False identification documents
- b) Identification documents which could not be verified within reasonable time
- c) Accounts opened with names very close to other established business entities.

2. Background of Client:

Suspicious background or links with known criminals.

3. Multiple Accounts:

Large number of account shaving a common account holder , introducer or authorized personnel.

4. Signatory with no rationale:

- a) Unexplained transfers between multiple accounts with no rationale.

5. Activity in accounts:

- a) Unusual activity compared with past transactions-Sudden activity in dormant accounts;
- b) Activity inconsistent with what would be expected from declared business.

6. Nature of transactions:

- a) Unusual or unjustified complexity;
- b) No economic rationale or bonafide purpose;
- c) Nature of transactions inconsistent with what would be expected from declared business.

7. Value of Transactions:

Value inconsistent with the client's apparent financial standing.

8. Indicators of Suspicious Transactions:

- a) Reluctant to part with information, data and documents;
- b) Submission of documents, purpose loan and detail of accounts;
- c) Reluctance to furnish details of source of funds;
- d) Reluctance to meet in person, representing through power of attorney;
- e) Approaching a distant branch away from own address;
- f) Maintaining multiple accounts without explanation;
- g) Payment of initial contribution through unrelated third-party account;
- h) Suggesting dubious means for sanction of loan;
- i) Where transactions do not make economic sense;
- j) Where doubt about beneficial ownership;
- k) Encashment of loan through a fictitious bank account;
- l) Sale consideration quoted higher or lower than prevailing prices;
- m) Request for payment in favor of third party with no relation to transaction;
- n) Frequent request for change of address;

Annexure IV**Customers of Special Category (CSC) :****Special Category Customers identifiable in DP :-**

- a. Non Resident Customers
- b. High Net worth Customers,
- c. Trust, Charities, NGOs and organizations receiving donations
- d. Companies having close family shareholdings or beneficial ownership
- e. Politically exposed persons (PEP) of foreign origin.
- f. Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence).
- g. Companies offering foreign exchange offerings.
- h. Customers in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centres , tax havens, countries where fraud is highly prevalent.
- i. Non face to face customers.
- j. Customers with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and not exclusive