

## VALUVANADU CAPITAL LIMITED

### Know Your Customer (KYC) Policy

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**Approved by** : MD, WTD & CFO

## Know Your Customer (KYC) Policy

### 1. Introduction:

Reserve Bank of India has been issuing guidelines in regard to Know Your Customer (KYC) standards to be followed by banks and NBFC and measures to be taken in regard to Anti Money Laundering (AML)/ Combating Financing of Terrorism (CFT)

NBFCs are required to put in place a comprehensive policy framework, duly approved by the Board of Directors or competent authority authorized by Board of Directors, in this regard. This policy document has been prepared in line with the RBI guidelines.

### 2. Objectives, Scope and Application of the Policy:

The primary objective is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities.

- To lay down explicit criteria for acceptance of customers
- To establish procedures to verify the bona-fide identification of individuals/non individuals for opening of account.
- To establish processes and procedures to monitor high value transactions and/or transactions of suspicious nature in accounts.
- To develop measures for conducting due diligence in respect of customers and reporting of such transactions.
- In case of any scenarios not explicitly covered under Valuvanadu's policy, the provisions as mentioned under the RBI guidelines shall be assumed.

### 3. Definition of Customer or Legal Entity (LE)

For the purpose of Valuvanadu KYC policy a 'Customer' means a person define under KYC policy of RBI and any amendment from time to time by RBI which are at present as under:-

- A person or entity that maintains an account and/or has a business relationship with Valuvanadu;
- One on whose behalf the account is maintained (i.e. the natural beneficial owner)

- Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted under the law, and
- Any other person or entity connected with a financial transaction which can pose significant reputation or other risks to Valuvanadu,

#### 4. Customer Acceptance Policy ("CAP")

Customer Acceptance Policy requires all KYC data pertaining to the customers to be filled in Customer Registration Form maintained in the software to capture the relevant data for all categories of customers and provide supporting documents as a part of customer identification process / KYC.

#### 5. Customer Identification Procedures ("CIP")

Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. Valuvanadu shall obtain sufficient information necessary to verify the identity of each new customer along with brief details of its promoters or management for non individual customers. The requirement as mentioned herein may be moderated according to the risk perception.

#### 6. Compliance of KYC - Documents Required

Before execution of facility agreement, Valuvanadu shall ensure the compliance of KYC for new account of borrower/ promoter director or any person identified as authorized signatory of borrower.

Valuvanadu has prescribed forms in its software for different types of customers as per details given below:

1. Individual
2. Non-Individual (for Company/Legal Entity and Promoters of the Company/Legal Entity)

As required under the Act and rules, information so collected shall be properly retained and preserved for each customer. Profile of customer may be prepared for quick reference as and when required. The information/documents so collected shall be treated as confidential and shall not be divulged for cross selling or for any other purpose.

## a) In case of Individual

Proof of Identity	Any one of the following: 1. Passport* 2. PAN Card with Photo 3. Aadhaar Card 4. Voter's ID 5. Driving License 6. ID card issued by any central/state govt.
Proof of address	Any one of the following: 1. Passport * 2. Aadhaar Card 3. Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill); 4. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address; 5. Letter/ Certificate issued by current Employer for address proof (in case of for Non Resident Indian); duly signed by Director or Authorized signatory 6. Any other documents issued by Government showing Address.

\*compulsory in case of non-resident individuals and for Promoter Directors in Company.

If the above documents are in any other language, and then it must be translated into English along with a certificate from the translator / notary public.

For the Individuals self attested ID proofs shall be submitted.

## b) In case of Non-Individual (for Company/Legal Entity and Promoter of the Company/ Legal Entity)

Mandatory Documents required for starting a Relationship (to be obtained before execution of any document).

- Private and Public Limited Companies
  - Certificate of incorporation, commencement of Business (if applicable)

- Memorandum & Articles of Association
- Resolution of the Board of Directors/Authority letter by MD/WTD/Director/CFO for Authorized person/s
- Proof of address #
- Address and ID proof Authorized signatory
- Address and ID proof of key Promoter Director(s)

Accounts, where third party mandate exists

- True notarized copy (with attested signature of POA holder and Managing Director or his authorized signatory) of power of Attorney (POA) Agreement.
- Reason for granting POA
- True Copy (Self Attested) of Identity and address documents of POA holder
- Signed Photograph of POA holder.
- All other verification documents as applicable for Public/Private limited companies.

Financial Institutions

- True copy (certified by Company Secretary or director) of Certificate of Institution's License.
- True copy (certified by Company Secretary or director) of Certificate of Incorporation.
- True copy (certified by Company Secretary or director) of Statute or equivalent, stating that the institution is a regulated entity.
- All other verification documents as applicable for Public/Private limited companies.

Trust/Firms

- True copy (Certified by authorized signatory) of Trust Deed/Partnership Deed.
- True copy (Certified by authorized signatory) of the Registration Certificate, if registered.
- Resolution (Certified by authorized signatory) authorizing the transaction
- ID and Address proof of authorized signatory and person transacting with Valuvanadu.

Acceptable proof of address documents for Company/Firm/Trust/Financial Institutions (Any One) as per below

- Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- Any other documents issued by the Government showing Address.
- # INC 22 and SRN receipt filed for recording change of registered address.
- In case of difference in the addresses provided by the company and the address proof, the correct address should be confirmed on verification of appropriate documents.

#### 7. Periodic Updation of KYC documents

Valuvanadu shall periodically update customer identification data after the transaction is completed. If there's a change in KYC information, Valuvanadu shall undertake the KYC process equivalent to onboarding as new Customer within 30 days of such changes intimated by the Customer.

The periodicity of updation of KYC shall be once in ten (10) years in case of low risk category customers and once in eight (5) years in case of medium risk categories and One (1) year in case of high risk categories.

#### 8. Monitoring and reporting of Transactions:

Monitoring of transactions will be conducted taking into consideration the risk profile of the account.

Valuvanadu shall make endeavors 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.

Background of the customer, country of origin, sources of funds, the type of transactions involved and other risk factors shall determine the extent of monitoring. Higher risk accounts shall be subject to intensify monitoring.

Valuvanadu shall explore the possibility of validating the new accounts opening with high value transactions with various watch lists available in public domain, including RBI watch list. After due diligence, any transactions or suspicious nature will be duly

reported by the principal officer to the Director, Financial Intelligence Unit- India (FIU\_IND).

To ensure monitoring and reporting of all transactions and sharing of information as required under the law for KYC, Board may nominate any Director or authorized MD or any other officer(s) duly authorized by MD to be designated as Valuvanadu's Principal Officer with respect to KYC/ AML/ CFT.

**9. Principal Officers for KYC/ AML/ CFT:**

Principal Officer(s) for KYC will act independently and report directly to the concerned Director/MD or to the Board of Directors. The role and responsibilities of the Principal Officer(s) should 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 and the Prevention of Money Laundering Rules 2005, rules and regulations made there under, as amended from time to time.

The required data from the Customer shall be collected as prescribed in this policy, irrespective whether Valuvanadu is the lead institution or there are other co-financing institutions. To ensure monitoring of Valuvanadu's KYC Guidelines, the Customers may be requested to resubmit their KYC periodically as defined elsewhere based on Risk Category or in case there is any change in the structure of entity with new promoter which does not have any relationship with Valuvanadu within 30 days of information of such change.

Information collected from the Customer shall be treated as confidential and details thereof are not to be divulged for cross selling or any other like purposes. Valuvanadu shall therefore, ensure that information sought from the Customer is relevant to the perceived risk, is not intrusive and is in conformity with the guidelines issued by RBI in this regard. Valuvanadu shall ensure that all kinds of remittance shall be made by way of cheque and bank transfer. Cash payment shall not in any way be permitted.

**10. Closure of Accounts/Termination of Financing/Business Relationship:**

Where Valuvanadu is unable to apply appropriate KYC measures due to non furnishing of information and/or non operation by the customer, Valuvanadu shall terminate Financing/Business Relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such a decision shall be taken with the approval of Chairman & Managing Director or Principal Officer.

## 11. Risk Management:

- The company shall have a risk based approach while on boarding customers.
- Since the company is predominantly carrying on the business of loan against the security of household gold jewellery, the risk perception of customers with normally accepted KYC documents are considered to be in the low risk category. However, for the purpose of closer monitoring an exposure based risk categorization is adopted which is as given below:
  - High Risk:
    - Loan exposure limit above Rs.50 Lacks
    - Domicile distance more than 25 KMs from branch
    - Politically exposed persons
    - Customer pledged or attempted to pledge spurious/stolen/Low purity gold
    - Pawn brokers/Jewellers/gold smiths/Gold Jewellery Manufacturers
    - people having criminal back ground
    - carrying on business which is prohibited under any law
    - Having business located in a high risk jurisdiction
  - Medium Risk:
    - Loan exposure limit from Rs.10 Lacks to Rs.50 Lacks
    - Domicile distance between 15 Kms to 25 KMs from branch
    - All other persons not included in the High Risk and low risk category
  - Low Risk:
    - Loan exposure limit less than Rs.10 Lacks
    - Domicile distance less than 15 Kms from branch
    - All other persons not included in the High Risk and Medium risk category
- The company should not in the ordinary course deal with people or organisations notified by the Financial Action Task Force, RBI or other regulatory bodies of the Government.
- The company may collect information on its customers from multiple sources in a non- intrusive manner.
- Money Laundering and Terrorist Financing Risk Assessment:
  - The 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. Considering the size of the Company, scale of its operations and nature of activities, the customer identification process and the due diligence process itself take care of the risk in this respect as generally the customers are from the local limit of the branches and the business consists only of distribution of loans to residents. However, while preparing the internal risk assessment, it shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with the Company.

- 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 Company. Further, the periodicity of risk assessment exercise shall be determined by the audit committee of the Board of the Company to which power in this regard has been delegated, in alignment with the outcome of the risk assessment exercise. However, it should be reviewed at least annually.
- The outcome of the exercise shall be put up to the Board as reviewed and recommended by the audit Committee, and should be available to competent authorities and self-regulating bodies. The Company shall apply a Risk Based Approach (RBA) for mitigation and management of the risks (identified on their own or through national risk assessment) and should have Board approved policies, controls and procedures in this regard. The Company shall implement a CDD program, having regard to the ML/TF risks identified and the size of business. Further, the Company shall monitor the implementation of the controls and enhance them if necessary.

## 12. PEP Policy of Valuvanadu

As per Anti Money Laundering Standards, it has been recognized that there is no internationally recognized legal definition of a **Politically Exposed Person**. However,

they would normally be considered to include senior present and former political figures, their immediate family and close associates.

With no known sources of databases that have complete records of all politically exposed persons, details relating to the following class of persons could generally be included for the purpose of identifying PEPs.

- All existing and past Members of Legislative assemblies/Members of Parliament
- List of candidates who have contested elections in the past five years.
- List of known politically connected movie stars, industrialists
- List of all members of recognized political parties.

Valuvanadu shall verify the beneficiary owner or promoter of the Customer company is PEP based on data available in public domain to the extent possible. In this regard, Valuvanadu shall obtain the declaration about PEP at the time of KYC compliance.

#### 13. Risk Management Committee: ("RMC")

Principal officer may submit the periodic report to RMC if there is a need arises in case of high-risk cases and which may require further guidance from the Committee so they can assess the risk involved in the case of different customers on the basis of data collected by the operations department. Depending on the requirement, services of an independent consultant having knowledge and background on the subject may be taken. Such issues categorization shall be kept confidential and shall not be divulged to any third party irrespective of their relationship with Company at any level of organization.

#### 14. Customer Education & Awareness:

The above policy shall be hosted on Valuvanadu's website i.e. **valluvanadueasymoney.com** to educate the customer of the objectives of the KYC / AML/ CFT programme. While dealing with customers, Dealing Officers and Staff in Valuvanadu shall take special care in obtaining required information from the client.

#### 15. Employee's Training:

Valuvanadu shall have an ongoing employee training programme so that the Team members are adequately trained in KYC/ AML/ CFT procedures. Training requirements shall have different focuses for frontline staff, compliance staff and officer/staff

dealing with the new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them.

#### 16. Updation in KYC Policy of Company

MD/ WTD/ CFO of Valuvanadu will be authorized to amend/modify the KYC/ AML/ CFT Policy or such other related guidance notes of the Company, to be in line with RBI or such other statutory authority's requirements/updates/ amendments from time to time.