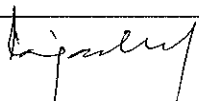


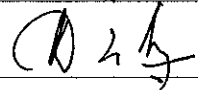


Fullerton India Credit Company Ltd.

Know Your Customer (KYC) Guidelines & Anti-Money Laundering Standards (AML) Policy

Document Title	Know Your Customer (KYC) Guidelines & Anti-Money Laundering Standards (AML) Policy
Governing Guidelines	RBI Master Direction - Know Your Customer (KYC) Direction, 2016 (Updated as on Apr 20, 2018)
Owner	Compliance
Functional Aspects checked by	Internal Audit, ORM and Risk
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Level	Name	Designation	Date & Sign
Recommended by	Rajashree Nambiar	MD and CEO	
Reviewed by	Sunil Kaw	Chief Risk Officer	
Reviewed by	Pankaj Malik	CFO & Company Secretary	
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Glossary

RBI	Reserve Bank of India
CAP	Customer Acceptance Policy
CIP	Customer Identification Procedures
PMLA	Prevention of Money Laundering Act
PEP	Politically Exposed Person
KYC	Know Your Customer
AML	Anti-Money Laundering
FICC	Fullerton India Credit Company Limited
NBFC	Non-Banking Financial Companies
CTR	Cash Transaction Report
STR	Suspicious Transaction Report
FIU – IND	Financial Intelligence Unit – India
CIBIL	Credit Information Bureau (India) Limited
UIDAI	Unique Identification Authority of India
OVD	Officially Valid Document
CERSAI	Central Registry of Securitization Asset Reconstruction and Security Interest
CDD	Customer Due Diligence



1. Preamble

The Reserve Bank of India (RBI) had advised all the NBFCs to ensure that a proper policy framework on Know Your Customer and Anti Money Laundering measures is formulated and put in place with approval of the Board. The policy was to lay down the systems and procedures to help control financial frauds, identify money laundering and suspicious transactions, combating financing of terrorism and careful scrutiny/ monitoring of large value of cash transactions. Pursuant to advice from the RBI, a Know Your Customer and Anti Money Laundering Policy (the Policy) was put in place with approval of the Board on June 23, 2006.

Since then, the Policy has been reviewed and revised with the approval of the Board, in line with the notifications on AML KYC issued RBI from time to time.

Presently, the Policy is proposed to be revised with the approval of the Board, to comply with the modified KYC Directions of RBI notified on Apr 20, 2018 based on the notifications dated Jun 1, 2017 and Oct 16, 2017, of Department of Revenue, Ministry of Finance, Government of India issued through Official Gazette.

2. Definitions

Customer

'Customer' is defined to mean a person who is engaged in a financial transaction or activity with a Regulated Entity (RE) and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

Transactions

The regulatory norms define transaction as:

"Transaction" means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes,

- a) Opening of an account.
- b) 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.
- c) Entering into any fiduciary relationship.
- d) Any payment made or received in whole or in part of any contractual or other legal obligation;
- e) Establishing or creating a legal person or legal arrangement.

Officially Valid Documents (OVD)

“Officially Valid Document” (OVD) means the passport, the driving license, 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, letter issued by the National Population Register containing details of name and address. The customer may also submit the Aadhaar card as identity and address proof, voluntarily.

Beneficial Owner

A beneficial owner is a natural person who ultimately owns or controls a client and/or the person on whose behalf the transaction is being conducted, and includes a person who exercises ultimate effective control over a juridical person.

Certified Copy

Certified copy means comparing the copy of officially valid document with the original and recording it on the copy by the authorized officer of FICC in a manner prescribed by RBI.

Non-face to face Customer

Non-face-to-face customer means customer who opens accounts without visiting the branch/offices of the Company or meeting the officials of the Company.

3. Policy Objectives

The basic objectives of the policy:

- a. To comply with the guidelines issued in Prevention of Money Laundering Act (PMLA), 2002.
- b. To adhere the “Know Your Customer” (KYC) policies and procedures issued by Reserve Bank of India.
- c. To prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities

4. Scope

KYC and AML Policy guidelines are applicable to all the functions of the organization dealing with customers, vendors / service providers and employees. Functions should adhere to the guidelines mentioned in this policy while drafting their internal policies, procedures, products etc.

This policy should be read in conjunction with related operational guidelines issued from time to time by Compliance/Risk.

Know Your Customer policy envisages the following key elements:

- a. Customer Acceptance Policy (CAP)
- b. Customer Identification Procedures (CIP)

- c. Monitoring of transactions
- d. Risk management

5. Customer Acceptance Policy (CAP)

The Customer Acceptance Policy lays down explicit criteria for acceptance of customers. It should also ensure that explicit guidelines are in place on the following aspects of customer relationship with the organization.

- a. No account should be opened in anonymous or fictitious/benami name(s) and accept customers only after verifying their identity, as laid down in Customer Identification Procedures (discussed later).
- b. Parameters of risk perception should be defined in terms of customer identity, the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status. Customer should be categorized as low, medium and high risk. The organization should seek only such information from the customer, which is relevant to the risk category and is not intrusive.
- c. Documentation requirements and other information should be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of Prevention of Money Laundering Act 2002 and guidelines issued by Reserve Bank from time to time.
- d. Not to open an account where the organization is unable to apply appropriate customer due diligence measures. i.e. the organization is unable to verify the identity and /or obtain documents required as per the risk categorization due to non-cooperation of the customer or non-reliability of the data/information furnished.
- e. Circumstances, in which a customer is permitted to act on behalf of another person/entity, should be clearly spelt out in conformity with the established law as there could be occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in the fiduciary capacity.
- f. Necessary checks should be conducted in CIBIL / Credit Information Company, any notified list of RBI or any other Regulator before accepting the customer and opening a new account so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations.
- g. The existing customers and new employees during hiring would be screened against the consolidated list of individuals and banned entities circulated by RBI to ensure that there are no matches.
- h. Customer profile should be a confidential document and details contained therein shall not be divulged for cross selling or any other purposes within the Company without the express permission of the customer.
- i. For sharing the customer information obtained from UIDAI, for sharing the same with other entities, specific permission from UIDAI should be obtained.

6. Risk Categorization

For the purpose of risk categorization, individuals (other than High Net Worth) and entities whose identities and source of wealth can be easily identified and transactions in whose accounts by and large confirm to the known profile, should be categorized as low risk. The 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.

Customers who are likely to pose a higher than average risk to the organization should 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's profile etc. The organization should apply enhanced due diligence measures based on the risk assessment thereby requiring intensive due diligence for higher risk customers especially those for whom the sources of funds are not clear. Examples of customers requiring higher due diligence may include (a) non- resident customers (b) high net worth individuals (c) trusts, societies, charitable organizations etc. (d) companies having close family shareholding or beneficial ownership. (e) Firms with 'sleeping partners', (f) non-face to face customers and (h) those with dubious reputation as per public information available, etc.

Full KYC exercise will be required to be done at least every two years for high risk, eight years for medium risk and ten years for low risk individuals and entities taking in to account whether and when client due diligence measures have previously been undertaken and the adequacy of data obtained. Physical presence of such clients is not insisted upon at time of periodic updations. Furthermore, in case of low risk customers, the organization should not seek fresh proofs of identity and address at time of periodic updation, in case of no change in status with respect to their identities and addresses. A self-certification by customer to this effect would be taken as sufficient. In case of change of address of such low risk customers, the organization should seek a certified copy of the document (proof of address) by mail/post etc.

If an existing KYC compliant customer desires to open another account with the organization, there should be no need for submission of fresh proof of identity and/or proof of address for the purpose.

7. Customer Identification Procedure (CIP)

The organization should identify the customer and verifying his/ her identity by using reliable independent sources of documents, data or information to ensure that the customer is not a fictitious person.

The organization should be able to satisfy the competent authorities that due diligence was observed based on risk profile of the customer in compliance with extant guidelines in place. Besides risk

perception, the nature of information / documents required would also depend on the type of customer (individual, corporate etc.)

Identification as under, would be required to be obtained in respect of different classes of customers:

- a. Customers that are natural persons:
 - i. Address/location details
 - ii. Identity Proof and Recent photograph
- b. Customers that are legal persons:
 - i. Legal status of the legal person/entity through proper and relevant documents.
 - ii. Verification that any person purporting to act on behalf of the legal person/entity is so authorized and identity of that person is established and verified.
 - iii. Understand the ownership and control structure of the customer and determine who are the natural persons and ultimately control the legal person.

7.1. Individual Customers (Mandatory Pan Number)

- a. The customers would submit OVD for identity and address.
- b. Individual customers have to mandatorily submit the Permanent Account Number or Form No. 60. This would also apply to individuals who are beneficial owner, authorized signatory or power of attorney holder related to any legal entity.

For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.

7.2. Proprietorship Firms

Documents which could be obtained as proof of business/activity for proprietary firms (any one), in addition to the documents of the proprietor as individual:

- a. Registration Certificate
- b. Certificate/ license issued by the Municipal authorities under Shop & Establishment Act,
- c. Sales and Income tax returns,
- d. CST / VAT/GST certificate (Provisional/Final)
- e. Certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities
- f. IEC (Importer Exporter Code) issued to the proprietary concern by the office of Director General of Foreign Trade (DGFT)/License/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute
- g. 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

- h. Utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern

Any one of the above documents in the name of the proprietary concern would suffice

7.3. Partnership Firms:

Where the customer is a partnership firm, the certified copies of the following documents should be obtained:

- a. Certificate of registration
- b. Partnership deed.
- c. Permanent Account Number or Form 60 of the persons holding an attorney to transact on its behalf along with any OVD or Aadhaar card for identity and address proof of such persons.

7.4. Trusts

Where the customer is a trust firm, the certified copies of the following documents should be obtained:

- a. Certificate of registration
- b. Trust deed.
- c. Permanent Account Number or Form 60 of the persons holding an attorney to transact on its behalf and any OVD or Aadhaar card for identity and address proof of such persons.

7.5 Unincorporated Bodies

Where the customer is an unincorporated association or a body of individuals, the certified copies of the following documents should be obtained:

- a. resolution of the managing body of such association or body of individuals;
- b. power of attorney granted to him to transact on its behalf
- c. Permanent Account Number or Form 60 of the persons holding an attorney to transact on its behalf and any OVD or Aadhaar card for identity and address proof of such persons.

7.6. Companies:

Where the customer is a Company, the certified copies of the following documents should be obtained:

- a. Certificate of incorporation
- b. Memorandum and Articles of Association
- c. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf along with their Permanent Account Number or Form 60 and any OVD or Aadhaar card for identity and address proof of such persons.

- 7.7. For opening accounts of juridical persons not specifically covered above, such as Government or its Departments, societies, universities and local bodies like village panchayats, one certified copy of the following documents should be obtained:
- i. Document showing name of the person authorized to act on behalf of the entity;
 - ii. Officially valid documents or Aadhaar card for proof of identity and address in respect of the person holding an attorney to transact on its behalf and
 - iii. Such documents as may be required by the RE to establish the legal existence of such an entity/juridical person.

8. Beneficial Ownership

The organization should determine the beneficial ownership and controlling interest in case of applicants who are not individuals and the KYC of the beneficial owners should be completed. In the case of beneficial owners, Yes/No authentication provided by UIDAI shall suffice.

S. No.	Applicable for	Guidelines	
(i)	Where the client is a company	The beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means	a. Ownership of/entitlement to more than 25 % of shares or capital or profits of the company b. Control shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.
(ii)	Where the client is a partnership firm or a company	The beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person	Ownership of/entitlement to more than 15% of the capital or profits of the partnership
(iii)	Where the client is an unincorporated association or body of individuals	The beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person	Ownership of/entitlement to more than 15% of the property or capital or profits of such association or body of individuals
(iv)	Where no natural person is identified under (i), (ii) or (iii) above	The beneficial owner is the relevant natural person who holds the position of senior managing official	
(v)	Where the client is a trust	The identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% percent or more	

		interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership
(vi)	Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company	Not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies

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 should be adhered to the extent applicable.

9. Unique Customer Identification Code (UCIC) :

Every customer should be provided with a unique customer identification code. This will help to identify customers, track the facilities availed, monitor financial transactions in a holistic manner and enable the organization to have a better approach to risk profiling of customers.

10. Customer Due Diligence (CDD)

- a. In case the CDD is outsourced, then the records or the information of the customer due diligence carried out by the third party should be obtained within two days from the third party or from the Central KYC Records Registry.
- b. In case the CDD is outsourced, the decision-making functions of determining compliance with KYC norms should not be outsourced.
- c. CDD procedure should be applied at the UCIC level and if an existing KYC compliant customer of the Company desires to open another account, there shall be no need for a fresh CDD exercise.

11. Record Retention

Records pertaining to identification of the customer and his address obtained while opening his account and during course of business relationship should be preserved for at least five years after the business relationship has ended.

All necessary records of transactions of the customer, both domestic and international, should be maintained for at least five years from the date of transaction.



12. Accounts of Politically Exposed Persons (PEPs) resident outside India:

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 (SVP and above) and should be subjected to enhanced monitoring. The norms are also applied to the accounts of the family members or close relatives of PEPs.

In case of an existing customer or beneficial owner of an existing account subsequently becoming PEP, matter should be reported to senior management level and be subjected to enhanced monitoring.

13. Accounts of non-face-to-face customers:

In the case of non-face-to-face customers, it should be ensured that the first payment is effected through the customer's KYC-complied account with another regulated entity.

For accounts of non-face-to-face customers opened using OTP based e-KYC, the biometric KYC should be completed within one year and if not, further debits should not be allowed.

14. Central KYC Registry (CKYCR)

The customer KYC information should be shared with the CKYCR in the manner mentioned in the RBI Directions in the RBI's KYC templates prepared for 'individuals' and 'Legal Entities' as the case may be with Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI).

A plan should be prepared for uploading the data in respect of existing individual accounts and include the same in the KYC Policy.

15. Monitoring of Transactions

The organizations monitoring activity should depend on the risk sensitivity of the account and high value cash transactions. High risk accounts should be subjected to intensified monitoring.

All transactions including those of suspicious nature like "a customer who is reluctant to provide information needed for a mandatory report, an account where there are several cash transactions below a specified threshold level to avoid filing of reports, employee whose lavish lifestyle cannot be supported by his or her salary, negligence of employee / willful blindness is reported repeatedly" etc. should be reported to the Compliance Head on a monthly basis.

Cash Transaction Report (CTR) in respect of cash transactions of INR 1 Million and above undertaken in an account either single or in an integrally connected manner in a calendar month should be reported to FIU – IND by 15th of the succeeding month.

Suspicious Transaction Report (STRs) should be reported to FIU – IND within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash or a series of transactions integrally connected are of suspicious nature. A customer whose transaction is reported as Suspicious to FIU should be treated as “high risk” customer for a period of one year from the date of reporting. For STR reporting, the “Suspicious Transaction Monitoring and Reporting Policy” as approved by Board during its meeting held on Sep 8, 2016 would apply.

The organization should put in place a system of periodic review (at least once in six months) of risk categorization of accounts and need for applying enhanced due diligence measures.

The organization should maintain proper records of series of cash transactions of a customer below INR 1 Million but monthly aggregate exceeding INR 1 Million and the records related to transactions reported as suspicious transactions to FIU – India. These records should be retained for a period of five years from the date of transaction.

16. Risk Management

Concurrent / Internal Auditors should have a process to verify the compliance with KYC/AML policies and procedures across the organization including the application of KYC procedures at the branches and comment on the lapses observed. The compliance in this regard should be put before the Audit Committee of the Board on quarterly basis.

The organization should have an ongoing employee training program so that the staff is adequately trained in KYC procedures.

17. Customer Education

The organization should prepare specific literature / pamphlets etc., to educate the customer of the objectives of the KYC program. The frontline lending and operating managers should 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.

18. KYC for the Existing Accounts

KYC norms are applicable to all the existing customers in a time bound manner. Where the organization is unable to apply appropriate KYC measures due to non-furnishing of information and/or non-cooperation by the customer, the debit operations should be stopped.

19. Principal Officer and Designated Director

The senior management officer (SVP and above) should be the Principal Officer for KYC/AML matters who will be responsible for implementation of and compliance with this policy. His duties, in this regards, will be as follows:

- a. Overall monitoring of the implementation of the organization's KYC/AML policy.
- b. Monitoring and reporting of transactions, and sharing of information, as required under the law.
- c. Timely submission of Cash Transaction Reports (CTRs), Suspicious Transaction Reports (STRs) to FIU-IND.
- d. Maintaining liaison with the law enforcement agencies, banks and other institutions, which are involved in the fight against money laundering and combating financing of terrorism.
- e. Ensuring submission of periodical reports to the Top Management /Board.

The Managing Director or a whole – time Director should be appointed as the “Designated Director” for ensuring compliance with the obligations under the PMLA, 2002.

20. Review of the Policy

This Policy should be reviewed if there are any amendments in the regulatory guidelines and the revised policy should be staged for Board's Approval in the subsequent Board Meeting post the amendments are notified by the regulator.

Annexure: Details of Principal Officer and Designated Director

Document Title	Details of Principal Officer and Designated Director
Type of Document	Annexure to the KYC and AML Policy

Nomination details mentioned below:

Designation	Name	Particulars
Designated Director	MS. Rajashree Nambiar MD and CEO	Recorded in the minutes of the 126 th Board Meeting on Mar 28, 2018
Principal Officer	Mr. D Krishnaraj Senior VP and Head - Compliance	Delegation letter sent to the Financial Intelligence Unit – India on Feb 13, 2017



History Sheet

S No	Rev. No	Original	Revised	Remarks
1	0	01/05/2017	NA	Annual Review
2	1	01/05/2017	01/05/2018	To include the modifications effected by RBI to its Master Directions on Apr 20, 2018



Summary of Changes

Sec No	Changes
2.4	Definition of certified copy
2.5	Definition of Non-face to face customer, OVD
5 (h)	Obtaining consent of the customer to use the KYC data for cross sell
5 (i)	UIDAI permission to share KYC info
7.1	New Section - Requiring mandatory Pan number for individuals and authorized persons of entities
7.1	Allowing OVD in the past name after change of name through gazette notification
7.4	KYC for trusts
8	Expanding the definition of beneficial owner of Company to include control aspects
10	New section on Customer Due Diligence
12	Process to handle existing account becoming PEP
13	Specifying the first payment for non-face to face customers
15	Specifying six monthly periodicity of risk categorization

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