Know Your Customer & Anti Money Laundering Policy

(KYC & AML Policy)

SK FINANCE

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ESS KAY FINCORP LIMITED

(ERSTWHILE ESS KAY AUTO FINANCE PRIVATE LIMITED)

KYC POLICY

1. Introduction and Purpose

KYC is an acronym for "Know your Customer", a term used for the customer identification process. It involves making reasonable efforts to determine true identity and beneficial ownership of accounts, source of funds, the nature of customer's business, reasonableness of operations in the account in relation to the customer's business, etc. which in turn helps the banks to manage their risks prudently.

As per RBI guidelines issued vide their circular dated July 1, 2015 and subsequent amendments on time to time, all NBFCs are required to formulate a KYC Policy with the approval of their respective boards. The policy has been amended to comply with the new guidelines prescribed by RBI vide circular no. **DNBR (PD) CC No. 051/03.10.119/2015-16**

The objective of the KYC policy is to prevent Ess Kay from being used, intentionally or unintentionally by criminal elements for money laundering.

2. Policy

Ess Kay has framed its KYC procedure which states that Ess Kay will collect three types of proofs from their customers. They are:-

a) Recent Photograph

b) Proof of identity

c) Proof of address

KYC procedure specifies certain commonly available documents as proof of personal identification and address proof, so as to not to cause inconvenience to those intending to take up loans from us. Our Branch officials will also be able to provide guidance regarding the different types of documents that are acceptable for taking a new loan. List of these documents is available in annexure I

2.1. KYC Standards:

Ess Kay's KYC Policy consists of the following key elements.

1) Customer Acceptance Policy

2) Customer Identification Procedures

3) Monitoring of Transactions; and

4) Risk management

KYC POLICY

2.1.1 Customer Acceptance Policy

Customer Acceptance Policy refers to the general guidelines in allowing Customer's to open loan accounts with the company. At the time of providing loans the following aspect should be properly adhered with:

- No loan accounts shall/can be opened in with anonymous or fictitious names
- Parameters of risk perception are clearly defined in terms of the nature of business activity, location of customer, mode of payments, volume of turnover, social and financial status etc. to enable categorization of customers into low, medium and high risk.
- customers categorized as high risk shall require very high level of monitoring, e.g. Politically Exposed Persons (PEPs) may, if considered necessary, be categorized even higher;

➢ When the identity of the customer matches with any person who has a known criminal background or banned entities, the loan account cannot be opened.

2.1.2. Customer Identification Procedure

Customer identification means refers to the process of identifying the customer and verifying his/her identity with the help of reliable, independent source documents, data or information. NBFCs have been advised to lay down a Customer Identification Procedure to be carried out at different stages i.e. while establishing a relationship; carrying out a financial transaction or when the NBFC has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.
For the purpose of the KYC Policy, a Customer is defined as:
• A person or entity that has relationship with the NBFC;
• One on whose behalf the account is maintained (i.e. the beneficial owner);
• Any person or entity connected with a financial transaction, which can pose significant reputation or other risks to the NBFC.

List of documents required to be obtained from customers
The features to be verified and documents that may are required to be obtained for customers, vary. A list of documents which can be sought from customers is mentioned in Annexure I.
Periodic Updation of KYC documents as per RBI Guidelines. KYC POLICY

According to the Reserve Bank of India's (RBI's) guidelines on KYC (Know Your Customer) norms, NBFCs are required to periodically update identification data of their customers, including the customer's photograph, proof of identity and proof of address. Updating KYC details regularly also ensures the security of your accounts to keep your loan account compliant with RBI's KYC guidelines. It is necessary for each customer to update the NBFC about his/her latest communication details. **KYC POLICY**

Monitoring of Transactions

Ongoing monitoring is an essential element of effective KYC procedures. The Company can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk sensitivity of the account. The Company will pay special attention to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose in such type of transactions.
The Company 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. It may also be ensured that transactions of suspicious nature and/ or any other type of transaction notified under section 12 of the PML Act, 2002, shall be reported to the appropriate law enforcement authority by the Principal Officer.

Risk Management

Principal Officer and staff ensure that KYC policy is effectively implemented at all branched and HO of the company.
Company has an internal audit team to evaluate and ensure adherence to the KYC policies and procedures including legal and regulatory requirements. Concurrent/ Internal Auditors specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard.
We have an ongoing employee training programme for the members of the staff for KYC procedures. Training programmes are prepared for all different profiles like frontline staff, compliance staff and staff dealing with new customers as per their profiles.

Annexure I

Customer Identification Procedure features to be verified and Documents that may be obtained from the customers Documents

Customer Identification Procedure Features to be verified and documents that may be obtained from customers Features	Documents
Accounts of individuals Legal name and any other names used Correct permanent address	(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving licence (v) Identity card (subject to the bank's satisfaction) (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of bank (i) Telephone bill (ii) Bank account statement (iii) Letter from any recognized public authority (iv) Electricity bill (v) Ration card (vi) Letter from employer (subject to satisfaction of the bank) (any one document which provides customer information to the satisfaction of the bank will suffice)
Accounts of companies - Name of the company - Principal place of business - Mailing address of the company - Telephone/Fax Number	(i) Certificate of incorporation and Memorandum & Articles of Association (ii) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account (iii) Power of Attorney granted to its managers, officers or employees to transact business on its behalf (iv) Copy of PAN allotment letter (v) Copy of the telephone bill
Accounts of partnership firms - Legal name - Address - Names of all partners and their addresses - Telephone numbers of the firm and partners	(i) Registration certificate, if registered (ii) Partnership deed (iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf