

## Background

As per the Prevention of Money-Laundering Act, 2002 read with Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 including any amendment thereof (PMLR 2005) (PMLA 2002 and PMLR 2005 will together referred to as PMLA), the offence of Money Laundering is defined as:

“Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering. "Proceeds of crime" means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to scheduled offence or the value of any such property.”

In context of the recommendations made by the Financial Action Task Force (FATF) and Anti Money Laundering (AML) standards and Combating Financing of Terrorism (CFT) policies. The Reserve Bank of India (RBI) has issued ‘Know Your Customer’ (KYC) Guidelines to all Non-Banking Financial Companies (NBFCs). In view of the same, Neev has adopted the said KYC guidelines. The Company has ensured that a proper policy framework on KYC and AML measures be formulated in line with the prescribed RBI guidelines and put in place duly approved by its Board of Directors.

RBI came up with detailed guidelines based on the above and the instructions issued on Customer Due Diligence (CDD) for Non-banking Financial Companies by the Basel Committee on Banking Supervision. RBI advised NBFCs to ensure that a proper policy framework on ‘Know Your Customer’ and Anti-Money Laundering measures with the approval of the Board is formulated and put in place. Accordingly, Neev has adopted Board approved Anti Money Laundering Policy and KYC Norms (the Policy) with suitable modifications depending on the business activity undertaken by it.

## Definition

**“Beneficial Owner” (‘BO’)** in relation to a customer is a person or an entity who is considered to be a beneficiary of the financial transaction entered in to with the Company by the customer. A list of persons who are to be considered as such BOs in relation to a customer is given

### **Public / Private Limited Companies:**

- a) A natural person having, whether alone or together, or through one or more juridical person, ownership of or entitlement to more than twenty-five percent of shares or capital or profits of the company; or
- b) A natural person having, whether alone or together, or through one or more juridical person, 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; or
- c) Where none of the above is been identified – a relevant natural person who holds the position of senior managing official

### **Partnership Firm:**

- a) A natural person having, whether alone or together, or through one or more juridical person, ownership of/ entitlement to more than fifteen percent of capital or profits of the partnership; or
- b) Where the above is not been identified – a relevant natural person who holds the position of senior managing official

### **Unincorporated association of persons or body of individuals including Societies**

- a) A natural person having, whether alone or together, or through one or more juridical person, ownership of/ entitlement to more than fifteen percent of property or capital or profits of such association or body of individuals; or
- b) Where the above is not been identified – a relevant natural person who holds the position of senior managing official

### **Trust/ Foundation:**

- a) The Author or Trustees or The Beneficiaries of the trust with fifteen percent or more interest in the trust; or
- b) A natural person exercising ultimate effective control

i. **“Central KYC Records Registry” (CKYCR)** means the Company, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

ii. **“Certified Copy”** - Obtaining a certified copy by the RE shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid document so produced by the customer with the original and recording the same on the copy by the authorised officer of the RE as per the provisions contained in the Act.

iii. **“Customer”** for the purpose of this Policy would have the same meaning as assigned to it under the RBI’s Guidelines on ‘Know Your Customer’ and Anti-Money Laundering Measures, as amended from time to time.

iv. **“Customer Due Diligence (CDD)”** means identifying and verifying the customer and the Beneficial Owner using ‘Officially Valid Documents’ or ‘Identification information as per section 15 of the RBI’s Guidelines.

v. **“Equivalent e-document”** means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.

vi. **“Officially Valid Documents (OVDs)”** means the passport, the driving license, the Voters Identity Card, Proof of possession of Aadhaar number (to be submitted in such form as prescribed by the Unique Identification Authority of India) , the Voter's Identity Card, job card issued by NREGA and letter issued by the National Population Register containing details of name and address.

vii. **“Offline Verification”** shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016).

viii. **“KYC Templates”** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.

ix. **“Know Your Client (KYC) Identifier”** means the unique number or code assigned to a customer by the Central KYC Records Registry.

x. **“Person”** for the purpose of this Policy would have the same meaning as assigned to it under the RBI’s Guidelines on ‘Know Your Customer’ and Anti-Money Laundering Measures, as amended from time to time

xi. **“Reporting Entity”** for the purpose of this Policy would mean the Company, Neev Credit Private Limited.

xii. **“Suspicious transaction”** means a “transaction” as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith:

- gives rise
- to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- appears to be made in circumstances of unusual or unjustified complexity; or
- appears to not have economic rationale or bona-fide purpose; or
- gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism

Neev’s KYC policy would include the following elements:

### **Customer Acceptance Policy**

Neev proposes the following customer acceptance policy:

- The Company shall not undertake any transaction with entity that has fictitious/ benami name(s) or where Company is unable to apply appropriate customer due diligence (CDD) measures.
- Company shall not undertake transaction or account based relationship without following the CDD procedure and apply the same at the UCIC level. Thus, if an existing KYC compliant customer of a RE desires to open another account with the same RE, there shall be no need for a fresh CDD exercise .If an existing KYC compliant Customer desires to open another account, there would be no need for submission of fresh proof of identity and/or proof of address for the purpose.
- The Permanent Account Number PAN shall be verified from the verification facility of the issuing authority and where equivalent e-documents has been obtained by the customer the Company shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000)
- In the case of proprietorship firms in addition to the proprietor's ID, the firm’s ID (business proof) also would be obtained at least through any of the following two documents:
  - Proof of the name, address and activity of the firm, namely Registration Certificate (if registered), Shops & Establishment Certificate, Sales and Income Tax Returns, CST/VAT/GST Certificate (provisional/final) etc.
  - Any registration / licensing document issued in the name of the firm by the Central Government or State Government Authority/ Department.
  - The complete ITR including the acknowledgement, issued in the name of the sole proprietor wherein the firm's income is reflected, duly authenticated/acknowledged by the IT Authorities.
  - Utility bills namely electricity/ water/ or landline telephone bills issued in the name of the firm.
  - In cases, where it is not possible to furnish any two of the above documents, the Company may accept any one of above stipulated document subject to field investigation done for the proprietorship firm.
  - In the case of firms reconstituted and the companies that changed the name within the past two years, the CDD would be enhanced.

- In case of Legal Entities certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained
  - Certificate of incorporation
  - Memorandum and Articles of Association
  - Permanent Account Number of the company
  - resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
  - Documents, as specified in Section 16, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf
  
- In case of partnership firms/trusts/societies the certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:
  - Registration certificate
  - Partnership deed
  - Permanent Account Number of the partnership firm
  - Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employ
  
- In case of trust the certified copies of each of unincorporated association or a body of individuals the following documents or the equivalent e-documents thereof shall be obtained:
  - Resolution of the managing body of such association or body of individuals
  - Permanent Account Number or Form No. 60 of the unincorporated association or a body of individuals
  - Power of attorney granted to transact on its behalf
  - Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf and
  - Such information as may be required by the Company to collectively establish the legal existence of such an association or body of individuals.
  
- eDocumentation requirements and other information to be collected in respect of different categories of Customers depending on perceived risk and keeping in mind the requirements of PMLA and guidelines issued by Reserve Bank from time to time.
  
- The Company shall not start or close a business transaction where the Company is unable to apply appropriate CDD measures i.e. the company is unable to verify the identity and /or obtain documents required as per the risk categorisation due to non- cooperation of the Customer or non-reliability of the data/information furnished to the company. It may however, be necessary to have suitable built in safeguards to avoid harassment of the Customer.

- Proposed clients shall be screened before acceptance to ensure that persons with criminal background or belonging to banned entities do not gain access to NEEV as borrower. While RBI sends the list of persons belonging to banned entities such as individual terrorists or terrorist organizations etc. NEEV will ensure that the clients are screened before establishing a relationship. The references obtained/due diligence done by the officials of NEEV should not indicate any criminal track record either for the client or the members of the family ordinarily staying with her/him.
- The System should be in place to capture Customer classification from the Money Laundering perspective including flagging of negative profile customers, terrorist organizations as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) etc.

## Risk Management

The following elements of Neev would manage the Risk arising out of the non-compliance to PMLA:

Board would ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensure their effective implementation;

All the Customers would be classified under three heads viz. Low Risk, Medium Risk and High Risk. **(risk parameters to be defined)** .

Neev would have an on-going employee training programme for frontline staff, compliance staff and staff dealing with new Customers and educating them with respect to the objectives of the KYC Programme.

A system of periodic review of risk categorization of accounts, at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.

A senior management officer would be designated as the Principal Officer – PMLA and would report to senior management and the Principal Officer – PMLA would have staff to verify KYC/AML compliance. The Principal Officer – PMLA would perform the following duties

- Develop effective Anti Money Laundering programs, including training programs
- Assist business in assessing how the System can be abused
- Identify suspicious activity
- Monitor implementation of Anti Money Laundering Policy and KYC Norms
- Submit reports to statutory bodies, management and maintain liaison

## Customer Identification Procedure

Neev shall ensure adherence of Customer Identification Procedure as prescribed by the Reserve Bank of India from time to time. Neev would obtain the KYC documents whenever there is doubt about the authenticity/veracity or the adequacy of the previously obtained Customer identification data. Neev also have the process of allotting Unique Customer Identification Code (UCIC), after carrying out the CDD process, for easy identification of all the relationships of any Customer with Neev. Information collected for the purpose of opening of account would be kept as confidential and would not be divulged to outsiders for cross selling or any other purpose other than for the statutory requirement of sharing the Customer account details with at least one credit information agency approved by RBI. Information sought from the Customer would be relevant to the perceived risk and would not be intrusive.

## Monitoring of Transactions

*As per Income Tax Act, 1961, Cash cannot be accepted by any person (Branch / collection staff) over and above Rs. 2,00,000/- (Two Lacs only) for a particular transaction or series of integrally connected transactions.*

Ongoing monitoring is an essential element of effective KYC procedures. Monitoring of transactions and its extent will be conducted taking into consideration the risk profile and risk sensitivity of the account. Neev 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. Neev may prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions which exceed these limits. Transactions that involve cash over and above Rs. 1 lac should particularly attract the attention of Neev. Higher risk accounts shall be subjected to intense monitoring. Neev shall set key indicators for such accounts basis the background of the customer, country of origin, sources of funds, the type of transactions involved and other risk factors which shall determine the extent of monitoring. Neev shall carry out the periodic review of risk categorization of transactions/customer's accounts and the need for applying enhanced due diligence measures at a periodicity of not less than once in six (6) months. Neev shall explore the possibility of validating the new account opening applications with various watch lists available in public domain, including RBI watch list.

Neev would continue to maintain proper record of all cash transactions of Rs. \_\_\_ and above and have in place centralised internal monitoring system at head office.

All unusual transactions would be reported to and reviewed by Principal Officer – PMLA who would enquire into the matter and decide whether the transaction would qualify to be termed as a suspicious transaction. When it is believed that we no longer are satisfied that we know the true identity of the account holder, STR would be filed with FIU-IND. The Principal Officer - PMLA would file the Suspicious Transaction Report (STR) with the Director, Financial Intelligence Unit-India (FIU-IND) within \_\_\_ days of identifying them. After filing STR, transactions would be allowed to be continued in the account unhindered and the Customer would not be tipped in any manner.

Neev has a laid down Document retention policy which would be reviewed periodically to be in compliance to the requirements of PMLA. The following documents/ records would be held for a period of 8 years:

- Records with respect to all suspicious transactions
- KYC documents after the business relationship ending.
- The documents/ records maintained would hold the following information
- Nature of transaction;
- Amount of the transaction;
- Date on which the transaction was conducted; and
- The parties to the transaction;