

# **NIHON**

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**NIHON IMPEX PRIVATE  
LIMITED**

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**KNOW YOUR CUSTOMER (KYC)  
AND  
ANTI-MONEY LAUNDERING (AML)  
POLICY**

## **INTRODUCTION**

Reserve Bank of India in line with the Master Direction - Know Your Customer (KYC) Direction, 2016 has instructed banks and NBFCs to take appropriate measures with regard to Anti Money Laundering (AML)/ Combating the Financing of Terrorism (CFT).

Therefore, NBFCs are required to put in place a comprehensive policy framework, duly approved by Board of Directors or competent authority authorized by Board of Directors, in this regard.

Accordingly, this policy document has been prepared in line with the RBI guidelines.

## **OBJECTIVES OF THE POLICY**

The primary objective of this Policy is to prevent NBFCs from being used, intentionally or unintentionally by criminal elements for money laundering activities. The guideline also mandates making reasonable efforts to determine the 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 Company to manage its risks prudently. Accordingly, the main objective of this policy is to enable the Company to have positive identification of its customers.

## **CUSTOMER OR LEGAL ENTITY (LE)**

For the purpose of KYC policy a 'Customer' means a person defined 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 PFS;
- 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 the Company

## **CUSTOMER ACCEPTANCE POLICY (CAP)**

Customer Acceptance Policy requires all customers to fill in the KYC Form as attached to capture the relevant data for all categories of customers and provide supporting documents as given in the forms as a part of customer identification process / KYC.

**CUSTOMER IDENTIFICATION PROCEDURES (CIP)**

Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. PFS shall obtain sufficient information necessary to verify the identity of each new customer along brief details of its promoters and management, whether regular or occasional and the purpose of the intended nature of Business relationship. The requirement as mentioned herein may be moderated according to the risk perception like in the case of a public specially listed company it will not be necessary to identify all the shareholders.

**COMPLIANCE OF KYC - DOCUMENTS REQUIRED**

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

Company has prescribed forms for different types of customers as per details given below:

- 1. Individual for Authorized Signatory and Promoter Director – KYC - A
- 2. Non - Individual (for Borrower Company and Promoter Company) – KYC - B

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 (for Authorized Signatory and Promoter Director)**

Proof of Identity	Any one of the following: 1. Passport* 2. PAN Card** 3. Aadhaar Card 4. Photo Pan Card 5. Voter’s ID 6. Driving License 7. 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

	<p>(electricity, telephone, post-paid mobile phone, piped gas, water bill);</p> <p>4. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;</p> <p>5. Letter/ Certificate issued by current Employer for address proof (in case of for Non Resident Indian); duly signed by Director or Authorized signatory</p> <p>6. Any other documents issued by Government showing Address.</p>
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*\*compulsory in case of non-resident individuals and for Promoter Directors in Company.*

*\*\* - Mandatory of all individual*

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

For the Individuals Form A along with ID proofs shall be attested as under:-

<b>Individual</b>	<b>Attestation requirement</b>
Promoter Director	Self-attested Only
Authorized Signatory	Self-attested Only

**b) In case of Non Individual (for Borrower Company and Promoter Company/ Legal Entity)**

Companies / Legal Entity (LE)	<ol style="list-style-type: none"> <li>1. As given below under “Mandatory Documents required for starting a Relationship”. (To be signed by Authorized Signatory or Company secretary.)</li> <li>2. KYC of Company and any shareholder or beneficial owner of such Company listed on stock exchange is not required</li> <li>3. KYC of scheduled commercial banks and FIs are registered with statutory bodies like RBI, Government Companies or any organization owned or controlled by Government is exempted</li> </ol>
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the details of the borrower company, its Directors, controlling shareholders as well as promoter entities, its Directors till natural individual beneficial owner would be obtained.

**Mandatory Documents required for starting a Relationship (to be obtained before execution of loan agreement)**

**Private and Public Limited Companies**

- Form B - Duly signed by Authorized Signatory
- Certificate of incorporation, commencement of Business (if applicable)
- Memorandum & Articles of Association
- Resolution of the Board of Directors/Authority letter by CMD/MD/CEO/WTD/Director for Authorized person/s mentioned in Table 'O' of Form B.
- Proof of address #
- Form A of Authorized signatory alongwith Address and ID proof
- Form A of key Promoter Director(s) alongwith Address and ID proof

**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 (certified by Company Secretary or Director) 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 Statue or equivalent, stating that the institution is a regulated entity.
- All other verification documents as applicable for Public/Private limited companies.

**Acceptable proof of address documents for Company (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 Government showing Address.

- Form INC - 22 and ROC receipt filed for recording change of registered address.
- In case, of difference in the addresses provided by the Company and the address proof, the Business Verification report should be carried out by Practicing Chartered Accountant / Practicing Company Secretary

## **MONITORING OF 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. Company shall make endeavours 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.

Company will prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions which exceed these limits. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer shall particularly attract the attention of the company. Higher risk accounts shall be subjected to intense monitoring.

Company 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.

Company 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 twelve months.

Company shall explore the possibility of validating the new account opening applications with various watch lists available in public domain, including RBI watch list.

## **RISK MANAGEMENT**

The Board of Directors of the Company ensures that an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation. It will cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility would be explicitly allocated within the Company for ensuring that the Company's policies and procedures are implemented effectively.

The Company may, in consultation with its board, devise procedures for creating Risk Profiles of its existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship. The Company's internal audit and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures. As a general rule, the compliance function provides an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements. Concurrent/ internal auditors should specifically check and verify the application of KYC procedures and comment on the lapses observed in this regard. The compliance in this regard may be put up before the Audit Committee of the Board on quarterly intervals.

The Company has an ongoing employee training programme so that the members of the staff are adequately trained in KYC procedures. Training requirements will have different focuses for frontline staff, compliance staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

#### **APPOINTMENT OF PRINCIPAL OFFICER**

1. To ensure the monitoring and reporting of all transactions and sharing of information as required under Rule 7 of the Prevention of Money Laundering (Maintenance of Records etc.) 2005.
2. Principal Officer for KYC will act independently and report directly to the concerned Director/MD/CMD or to the Board of Directors.
3. Principal Officer shall be located at the head/corporate office of the Company.
4. Principal Officer shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law.
5. He/ She will maintain close liaison with enforcement agencies, the Company and any other institution which are involved in the fight against money laundering and combating financing of terrorism.
6. Further, the role and responsibilities of the Principal Officer shall 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, rules and regulations made there under, as amended from time to time.
7. The Principal Officer will also be responsible for timely submission of CTR, STR to FIU-IND.

8. With a view to enabling the Principal Officer to discharge his responsibilities effectively, the Principal Officer and other appropriate staff shall have timely access to customer identification data and other CDD information, transaction records and other relevant information

### **MAINTENANCE OF RECORDS OF TRANSACTIONS**

The Company shall maintain proper record of the transactions as required under Section 12 of the Prevention of Money Laundering Act, 2002 (PMLA) read with Rules 3 of the PML Rules as mentioned below:

- a. All cash transactions of the value of more than Rs. 10 lakhs or its equivalent in foreign currency, though by policy the Company does not accept cash deposits in foreign currency.
- b. All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month.
- c. All transactions involving receipts by non-profit organizations of Rs. 10 lakhs or its equivalent in foreign currency.
- d. All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place.
- e. All suspicious transactions whether or not made in cash and in manner as mentioned in the Rule framed by the Government of India under PMLA.

### **INFORMATION TO BE PRESERVED**

As per the NBFC guidelines, Company is required to maintain the following information in respect of transactions referred in Rule 3:

- a. the nature of the transactions;
- b. the amount of the transaction and the currency in which it was denominated;
- c. the date on which the transaction was conducted; and
- d. the parties to the transaction.

### **MAINTENANCE AND PRESERVATION OF RECORDS**

Section 12 of PMLA requires the Company to maintain records as under:

- a. records of all transactions referred to in clause (a) of Sub-section (1) of section 12 read with Rule 3 of the PML Rules is required to be



- maintained for a period of ten years from the date of transactions between the clients and the Company.
- b. records of the identity of all clients of the Company is required to be maintained for a period of ten years from the date of cessation of transactions between the clients and the Company. Company shall take appropriate steps to evolve a system for proper maintenance and preservation of information in a manner (in hard and soft copies) that allows data to be retrieved easily and quickly whenever required or as/ when requested by the competent authorities.

### **REPORTING TO FINANCIAL INTELLIGENCE UNIT – INDIA**

The Principal Officer shall report information relating to cash and suspicious transactions, if detected, to the Director, Financial Intelligence Unit India (FIU-IND) as advised in terms of the PMLA rules, in the prescribed formats as designed and circulated by RBI at the following address:

**Director, FIU-IND**  
**Financial Intelligence Unit-India**  
**6th Floor, Hotel Samrat**  
**Chanakyapuri**  
**New Delhi – 110 021**  
**Website – <http://fiuindia.gov.in>**

The employees of the Company shall maintain strict confidentiality of the fact of furnishing/reporting details of suspicious transactions.

### **UPDATION IN KYC POLICY OF COMPANY**

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

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