

KYC & AML POLICY

Background:

In line with the Financial Action Task Force's recommendations on anti-money laundering (AML) standards and Combating the Financing of Terrorism (CFT), the Reserve Bank of India (RBI) issued guidelines on Know Your Customer (KYC) in February 2005. These standards have become the international benchmark for framing AML and CFT policies by regulatory authorities. Compliance with these standards by banks, financial institutions, and NBFCs in India is essential for international financial relationships. The RBI's Department of Banking Operations and Development has provided detailed guidelines to banks based on the recommendations of the Financial Action Task Force and the Basel Committee on Banking Supervision's paper on Client Due Diligence (CDD), which are equally applicable to NBFCs. The RBI's Master Direction - Know Your Customer (KYC) Direction, 2016, as amended, supersedes this policy.

Definition of Money Laundering:

Money laundering involves engaging in financial transactions that conceal the true origin of criminally derived proceeds or appear to have been received through legitimate sources. The Prevention of Money Laundering Act, 2002 (PMLA 2002), forms the core of India's legal framework to combat money laundering. The Act and Rules notified thereunder impose obligations on intermediaries to verify the identity of clients, maintain records, and furnish information to the Financial Intelligence Unit-India (FIU-IND).

Financial Intelligence Unit-India (FIU-IND):

Established by the Government of India on November 18, 2004, the FIU-IND is an independent body reporting directly to the Economic Intelligence Council headed by the Finance Minister. It is responsible for receiving, processing, analyzing, and disseminating information on suspect financial transactions, coordinating efforts of national and international intelligence and enforcement agencies against money laundering and related crimes.

Policy of Lok Suvidha Finance Limited:

Lok Suvidha Finance Limited ("LSFL") is committed to preventing money laundering internally and implementing a framework to report cash and suspicious transactions to the FIU-IND in accordance with PMLA Rules, 2002.

Implementation of this Policy:

A Principal Officer will oversee:

- Compliance with PMLA and AML Guidelines
- Active role in identifying and assessing potentially suspicious transactions
- Ensuring LSFL reports suspicious transactions to the authorities as required by law.

The core aspect of this policy is the Client Due Diligence Process, which includes:

- Obtaining sufficient information about the client's identity and beneficial ownership.
- Verifying the client's identity using reliable, independent source documents.
- Ongoing due diligence and scrutiny of the client's account to ensure consistency with their background, financial status, activities, and risk profile.

Client Acceptance/ Due Diligence Policy:

Clients are accepted based on:

- Personal meetings for necessary document completion.
- Compliance with appropriate KYC procedures.
- Avoidance of clients with criminal backgrounds or involvement in high-risk activities.
- Scrutiny of records/documents for clients belonging to special categories.

Risk Management:

LSFL's Board ensures:

- Effective implementation of a KYC program.
- Evaluation of compliance by the internal audit and compliance function.
- Real-time risk categorization and enhanced due diligence measures for higher-risk clients.
- Periodic updating of client identification data based on risk levels.

Suspicious Transaction Identification & Reporting:

Transactions raising suspicion are reported to the Principal Officer-PMLA, who assesses whether they qualify as suspicious transactions. Reports are filed with the FIU-IND within 7 days of identification.

Monitoring of Transactions:

LSFL maintains records of cash transactions and has a centralized internal monitoring system. Unusual transactions are reviewed by the Principal Officer-PMLA for further action.

Designated Director and Principal Officer:

The Board may appoint/nominate designated directors and principal officers to ensure compliance with the Act and Rules.

For any further information or clarification, please contact the designated Principal Officer.