RECAPITA FINANCE PRIVATE LIMITED

KYC POLICY

(Updated as on 4th November, 2024)

10, Amaltas, Phase 1, Chunabhatti, Kolar road, Bhopal, Madhya Pradesh, 462016

VERSION-1.1

Approving Authority	**Board of Directors**
Reviewing Authority	**Audit & Compliance Department**
Effective Date	**5th November 2024**

Review/Revision of policy: This policy document will be reviewed and revised by the Audit & Compliance Department with approval of board of directors in response to changed circumstances, and in any event, at intervals of not more than one year or shorter review periods as may be stipulated by the Board of Directors.

Regulatory Reference: RBI/DoR/2023-24/106, DoR.FIN.REC.No.45/03.10.119/2023-24 Master Direction - Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023.

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1. PREAMBLE

The Reserve Bank of India (RBI) has issued comprehensive 'Know Your Customer' (KYC) Guidelines to all Non-Banking Financial Companies (NBFCs) in the 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 as these being used as the International Benchmark for framing the stated policies, by the regulatory authorities. In view of the same, RECAPITA FINANCE PRIVATE LIMITED ("Company") has adopted the said KYC guidelines with suitable modifications depending on the activity undertaken by it. The Company has ensured that a proper policy framework on KYC and AML measures are formulated in line with the prescribed RBI guidelines and duly approved by its Board of Directors ("Board").

2. SCOPE:

This policy applies to all employees and agents of Recapita involved in customer onboarding, transaction monitoring, and compliance functions. It encompasses all types of customers, including individuals, corporations, and politically exposed persons (PEPs). This policy also ensures that all customer data collected for KYC purposes is handled securely and protected under applicable data protection laws.

3. OBJECTIVES:

The objective of KYC guidelines is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities. KYC procedures shall also enable the Company to know and understand its Customers and its financial dealings better which in turn will help it to manage its risks prudently.

- **Regulatory Compliance**: Adhere to RBI guidelines and other regulatory requirements.
- **Risk Management**: Identify, assess, and mitigate risks associated with customer relationships.
- **Customer Understanding**: Enhance knowledge of customers and their financial behaviours to facilitate prudent risk management.
- **On-going Monitoring**: Continuously monitor customer transactions to detect suspicious activities.

4. DEFINITONS:

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Customer

For the purpose of KYC Norms, a 'Customer' is defined as a person who is engaged in a financial transaction or activity with a reporting entity and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting. In other words, "Customer" is an individual or entity engaging in financial transactions with the company, including loan applicants, co-applicants, and guarantors."

Designated Director

- "Designated Director" means a person designated by the reporting entity (bank, financial institution, etc.) to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules, who shall be nominated by the Company to a Director on their Board as "Designated Director".

"Officially valid document" (OVD)

- OVD means the passport, the driving licence, the Permanent Account Number (PAN) Card, 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 Unique Identification Authority of India containing details of name, address and Adhaar number, or any other document as notified by the Central Government in consultation with the Regulator.
- Provided that where 'simplified measures' are applied for verifying the identity of the clients the following documents shall be deemed to be OVD:

- identity card with applicant's Photograph issued by Central/ State Government Departments, Statutory/ Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions;

- Letter issued by a gazetted officer, with a duly attested photograph of the person.

- (ii) Provided further that where 'simplified measures' are applied for verifying for the limited purpose of proof of address the following additional documents are deemed to be OVDs :

- Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);

- Property or Municipal Tax receipt;

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- Bank account or Post Office savings bank account statement;

- Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;

- Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation;

- Documents issued by Government departments of foreign jurisdictions and letter issued by Foreign Embassy or Mission in India.

Person

- In terms of PML Act a 'person' includes:
- an individual,
- a Hindu undivided family,
- a company,
- a firm,
- an association of persons or a body of individuals, whether incorporated or not,
- every artificial juridical person, not falling within any one of the above persons,
- Any agency, office or branch owned or controlled by any of the above persons.

Transaction

- "Transaction" means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes-
- opening of an account;
- 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;
- the use of a safety deposit box or any other form of safe deposit;
- entering into any fiduciary relationship;
- any payment made or received in whole or in part of any contractual or other legal obligation; or
- Establishing or creating a legal person or legal arrangement.

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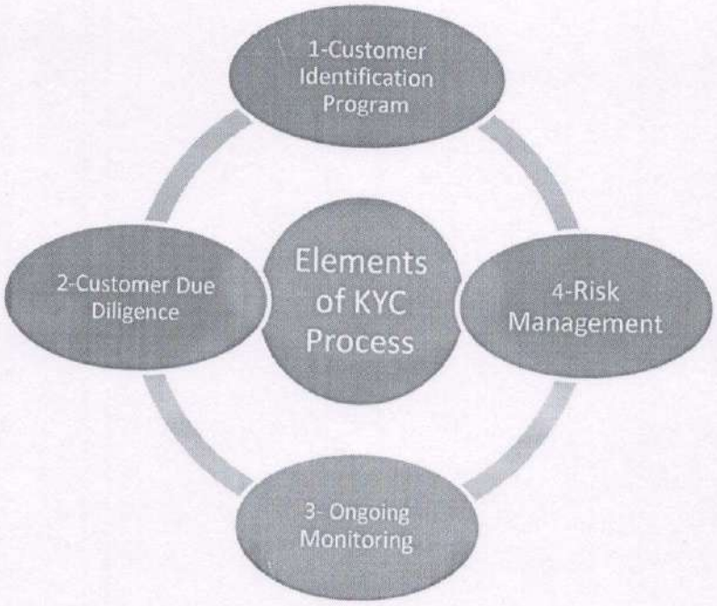
5. KYC POLICY



To ensure that the concerned staffs are adequately trained in KYC/AML/CFT procedures, This KYC Policy is applicable to all branches/offices of the Company and is to be read in conjunction with related operational guidelines issued from time to time. This Policy includes Four (4) key elements:

a) Customer Acceptance Policy (CAP);
b) Customer Identification Procedures (CIP);
c) Monitoring of Transactions;
d) Risk Management;

Customer Acceptance Policy (CAP)

The Company's CAP lays down the criteria for acceptance of Customers. The guidelines in respect of Customer relationship in the Company broadly include the following:

- No account is opened in anonymous or fictitious/benami name.

- Parameters of risk perception are clearly defined in terms of the nature of business activity, location of the customer and his clients, mode of payments, volume of turnover, social and financial status, etc. so as to enable the bank/FIs in categorizing the customers into low, medium and high risk ones.

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- Documents and other information to be collected from different categories of customers depending on perceived risk and the requirements of PML Act, 2002 and instructions/guidelines issued by Reserve Bank from time to time.

- Not to open an account where the bank/FI is unable to apply appropriate customer due diligence measures, i.e., the bank/FI is unable to verify the identity and /or obtain required documents either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer. The bank/FI may also consider closing an existing account under similar circumstances.

- 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 and practice of banking.

- The bank/FI should have suitable systems in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanction lists circulated by the Reserve Bank.

The Company insures that the adoption of customer acceptance policy and its implementation is not be too restrictive and which result in denial of banking facility to members of the general public, especially those, who are financially or socially disadvantaged.

Customer Identification Procedure (CIP)

General

(a)Customer identification means undertaking client due diligence measures while commencing an account-based relationship including identifying and verifying the customer and the beneficial owner on the basis of one of the OVDs. Company shall obtain sufficient information to establish, to their satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of the banking relationship. The requirement as mentioned herein may be moderated according to the risk perception. Such risk-based approach is considered necessary to avoid disproportionate cost to the Company and a burdensome regime for the customers.

(b) Company shall have a policy approved by their Boards which will be clearly spell out the Customer Identification Procedure to be carried out at different stages, i.e.,

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- while establishing a banking relationship;
- while carrying out a financial transaction;
- when the Company has a doubt about the authenticity or adequacy of the customer identification data it has obtained;
- when banks sell third party products as agents;
- While selling banks' own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than Rs. 50,000/-.
- when carrying out transactions for a non-account based customer, that is a walk-in customer, where the amount involved is equal to or exceeds Rs. 50,000/-, whether conducted as a single transaction or several transactions that appear to be connected.

- When Company has reason to believe that a customer (account- based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of Rs.50,000/-.

(c)Company may seek 'mandatory' information required for KYC purpose which the customer is obliged to give while opening an account or during periodic updation. Other 'optional' customer details/additional information, if required may be obtained separately after the account is opened only with the explicit consent of the customer.

6. CUSTOMER DUE DILIGENCE REQUIREMENTS (CDD) WHILE OPENING ACCOUNTS

A. **Accounts of individuals:**

(i) For opening accounts of individuals, Company shall obtain one certified copy of an 'officially valid document' containing details of identity and address, one recent photograph and such other documents pertaining to the nature of business and financial status of the customer as may be required by the Company.

(ii) E-KYC service of Unique Identification Authority of India (UIDAI) should also be accepted as a valid process for KYC verification under the PML Rules. The information containing demographic details and photographs made available from UIDAI as a result of e-KYC process is to be treated as an 'Officially Valid Document'. Under e-KYC, the UIDAI transfers the data of the individual comprising name, age, gender, and photograph of the individual, electronically to the bank/business correspondents/business facilitators, which may be accepted as valid process for KYC verification. The individual user, however, has to authorize to UIDAI by explicit consent to release her/his identity/address through biometric authentication to the banks/business correspondents/business facilitator. If the prospective customer knows only his/her Aadhaar number, the bank has to print the prospective customer's e-Aadhaar letter in the bank directly from the UIDAI portal; or adopt e-KYC procedure as mentioned

above. If the prospective customer carries a copy of the e-Aadhaar downloaded from a place/source elsewhere, still the bank has to print the prospective customer's e-Aadhaar letter in the bank directly from the UIDAI portal or adopt e-KYC procedure as mentioned above or confirm the identity and address of the resident through the authentication service of UIDAI.

(iii) Since introduction is not necessary for opening of accounts under PML Act and Rules or the Reserve Bank's extant instructions, the Company will not insist on introduction for opening of bank accounts.

(iv) **Simplified Measures for Proof of Identity:**

If an individual customer does not have any of the OVDs as proof of identity, then banks/FIs are allowed to adopt 'Simplified Measures' in respect of 'Low risk' customers, taking into consideration the type of customer, business relationship, nature and value of transactions based on the overall money laundering and terrorist financing risks involved. Accordingly, in respect of low risk category customers, where simplified measures are applied, it would be sufficient to obtain a certified copy of any one of the documents referred above, which shall be deemed as an OVD for the purpose of proof of identity.

(v) **Simplified Measures for Proof of Address:**

The additional documents mentioned above shall be deemed to be OVDs under 'simplified measure' for the 'low risk' customers for the limited purpose of proof of address where customers are unable to produce any OVD for the same.

(vi) **Small Accounts**

If an individual customer does not possess either any of the OVDs or the documents applicable in respect of simplified procedure, then 'Small Accounts' may be opened for such an individual. A 'Small Account' means a savings account in which:

- The aggregate of all credits in a financial year does not exceed rupees one lakh;
- The aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand and
- The balance at any point of time does not exceed rupees fifty thousand.

A 'small account' maybe opened on the basis of a self-attested photograph and affixation of signature or thumb print.

Such accounts may be opened and operated subject to the following conditions:

a) the designated officer of the bank, while opening the small account, certifies under his signature that the person opening the account has affixed her/his signature or thumb print, as the case may be, in her/his presence;

b) a small account shall be opened only at Core Banking Solution (CBS) linked branches or in a branch where it is possible to manually monitor and ensure that foreign remittances are not credited to the account and that the stipulated monthly and annual limits on aggregate of transactions and balance requirements in such accounts are not breached, before a transaction is allowed to take place;

c) a small account shall remain operational initially for a period of twelve months, and thereafter for a further period of twelve months if the holder of such an account provides evidence before the banking company of having applied for any of the officially valid documents within twelve months of the opening of the said account, with the entire relaxation provisions to be reviewed in respect of the said account after twenty four months;

d) a small account shall be monitored and when there is suspicion of money laundering or financing of terrorism activity or other high risk scenarios, the identity of the customer shall be established through the production of "officially valid documents" and have to be subjected to more intensified monitoring.

e) Foreign remittance shall not be allowed to be credited into a small account unless the identity of the customer is fully established through the production of "officially valid documents".

(vii) A customer is required to submit only one OVD for both proof of identity and for proof of address as part of KYC procedure. If the OVD submitted for proof of identity does not have the proof of address (for e.g., PAN Card), then the customer is required to submit another OVD for proof of address.

(viii) Similarly, a customer is required to submit only one OVD as proof of address (either current or permanent) for KYC purpose. In case the proof of address furnished by the customer is neither the local address nor the address where the customer is currently residing, the bank should take a declaration from the customer of her/his local address on which all correspondence will be made by the bank with the customer. No proof is required to be submitted by the customer for such address. This address, however, should be verified by the bank through 'positive confirmation' such as acknowledgment of receipt of letter, cheque books, ATM cards; telephonic conversation; visits to the place; etc. In the event of any change in this address due to

relocation or any other reason, customers should intimate the new address for correspondence to the bank within two weeks of such a change.

(ix) In case the address mentioned as per 'proof of address' undergoes a change, fresh proof of address is to be submitted to the Company within a period of six months.

(x) In case of close relatives, e.g. husband, wife, son, daughter and parents, etc. who live with their wife, husband, father/mother, daughter and son, who do not have officially valid document for address verification, then, in such cases, The Company will obtain OVD for proof of address and identity of the relative with whom the prospective customer is living together with a declaration from the relative that the said person (prospective customer) proposing to open an account is a relative and is staying with her/him.

(xi) Banks are not required to obtain fresh documents of customers when customers approach them for transferring their account from one branch of the bank to another branch of the same bank. Banks are advised that KYC verification once done by one branch of the bank should be valid for transfer of the account within the bank if full KYC verification has been done for the concerned account and is not due for periodic updation. The customers should be allowed to transfer their accounts from one branch to another branch without restrictions, without insisting on fresh proof of address and/or identity and on the basis of a self-declaration from the account holder about his/her current address. Further, if an existing KYC compliant customer of a bank desires to open another account in the same bank, there should be no need for submission of fresh proof of identity and/or address.

(xii) Where a customer categorised as low risk expresses inability to complete the documentation requirements on account of any reason that the bank considers to be genuine, and where it is essential not to interrupt the normal conduct of business, the bank may complete the verification of identity within a period of six months from the date of establishment of the relationship.

(xiii) For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, The Company may rely on a third party subject to the conditions that-

1) the Company immediately obtains necessary information of such client due diligence carried out by the third party;
2) the Company takes adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;

3) the Company is satisfied that such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act;
4) the third party is not based in a country or jurisdiction assessed as high risk and
5) The Company is ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable.

7. Monitoring of Transactions

Ongoing monitoring

Ongoing monitoring is an essential element of effective KYC/AML procedures. The Company exercise ongoing due diligence with respect to every customer and closely examine the transactions to ensure that they are consistent with the customer's profile and source of funds as per extant instructions. The ongoing due diligence may be based on the following principles:

a) The extent of monitoring will depend on the risk category of the account. High risk accounts have to be subjected to more intensify monitoring.

   i. Company shall pay particular attention to the following types of transactions:
   ii. Large and complex transactions and those with unusual patterns, which have no apparent economic rationale or legitimate purpose.
   iii. Transactions which exceed the thresholds prescribed for specific categories of accounts.
   iv. Transactions involving large amounts of cash inconsistent with the normal and expected activity of the customer.
   v. High account turnover inconsistent with the size of the balance maintained.

b) Company shall put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures. Such review of risk categorisation of customers should be carried out at a periodicity of not less than once in six months.

8. Risk Management

The Management of the Company under the supervision of the Board shall ensure 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 will be explicitly allocated within the Company for ensuring that the policies and procedures as applicable to Company are implemented effectively. The

Company shall devise procedures for creating Risk Profiles of their existing and new Customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.

KYC Risk Categorization:

Risk category	Category of customers
Low Risk	1. Salaried employee 2. Self-employed individuals / Prop. Firms 3. Govt. dept. & Govt. owned companies 4. Limited companies (Public & Private) 5. Partnership firm (Registered Deed)
Medium Risk	1.NGO's 2. Societies (Registered Deed)
High Risk	1.Politically exposed person 2.NRI's 3.The transaction is in or has ties with a high-risk third country 4.The transaction involved cash payments. 5.High down payment (beyond 45% down payment) transactions 6.Trusts

High risk accounts have to be subjected to more intensive monitoring. A system of periodic review of risk categorization of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.

KYC Risk categorization in Loan origination system (LOS)

The classification of the risk category in the LOS is the responsibility of the Credit team. Credit Managers must classify the risk category at the time of underwriting in the LOS for all type of approved Loan / Lease transactions. In case the same is not marked then the Operations team may raise a query and seek a confirmation from the Credit team.

Money Laundering and Terrorist Financing Risk Assessment

'Money Laundering (ML.) and Terrorist Financing (TF) Risk Assessment' exercise is done periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc. The assessment process should consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied, while preparing the internal risk assessment. This exercise must be conducted annually, and the report shall be presented to the Board. However, the Board may mandate to conduct this exercise more frequently.

9. General Guidelines

(i) Confidentiality of customer information:

Information collected from customers for the purpose of opening of account is to be treated as confidential and details thereof should not be divulged for the purpose of cross selling, etc. Information sought from the customer should be relevant to the perceived risk and be non-intrusive. Any other information that is sought from the customer should be called for separately only after the account has been opened, with his/her express consent and in a different form, distinctly separate from the application form. It should be indicated clearly to the customer that providing such information is optional.

(ii) **Avoiding hardship to customers**:

While issuing operational instructions to branches, Company always keep in mind the spirit of the instructions issued by the Reserve Bank so as to avoid undue hardships to individuals who are otherwise classified as low risk customers.

(iii) **Sensitising customers**:

Implementation of AML/CFT policy may require certain information from customers of a personal nature or which had not been called for earlier. The purpose of collecting such information could be questioned by the customer and may often lead to avoidable complaints and litigation. Company shall, therefore, prepare specific literature/pamphlets, etc., to educate the customer regarding the objectives of the AML/CFT requirements for which their cooperation is solicited.

(iv) **Hiring of Employees**

It may be appreciated that KYC norms/AML standards/CFT measures have been described to ensure that criminals are not allowed to misuse the banking channels. It would, therefore, the Company put in place adequate screening mechanism as an integral part of their personnel recruitment/hiring process.

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10. **Employee training:**

The Company shall organize on-going employee training programme so that the members of staff are adequately trained in AML/CFT policy. The focus of the training will be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff will specially train to handle issues arising from lack of customer education while compliance staff receives detailed AML/CFT training to handle escalations."

(vi) **Applicability to overseas branches/subsidiaries**

This Policy shall also be applicable to the branches and majority owned subsidiaries located abroad, if any, to the extent local laws in the host country permit. When local applicable laws and regulations prohibit implementation of these guidelines, the same should be brought to the notice of the Reserve Bank.

(vii) **Technology requirements**:

Company shall pay special attention to any money laundering threats that may arise from new or developing technologies including online transactions that may favor anonymity, and take measures, if needed, to prevent their use in money laundering.
Although our customer data is stored in encrypted systems, monitored by advanced analytics to detect suspicious activity, ensuring compliance with RBI technology guidelines."

(viii) **Designated Director**:

The Company may nominate a Director on their Boards as "designated Director", as required under provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (Rules), to ensure compliance with the obligations under the Act and Rules. The name, designation and address of the Designated Director may be communicated to the FIU-IND. UCBs/ State Cooperative Banks / Central Cooperative Banks can also designate a person who holds the position of senior management or equivalent as a 'Designated Director'. However, in no case, the Principal Officer should be nominated as the 'Designated Director'.

(ix) **Principal Officer:**

The Company may appoint a senior officer as Principal Officer (PO). The PO should be independent and report directly to the senior management or to the Board of Directors. The PO shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations. The name, designation and address of the Principal Officer may be communicated to the FIU-IND.

11. Periodic Updation of KYC/ Updation

CDD requirements for periodic updation

Company shall carry out periodical updation of KYC information of every customer, which includes the following:

i. KYC exercise shall be done at least every two years for high risk customers, every eight years for medium risk customers and every ten years for low risk customers. Such KYC exercise may include all measures for confirming the identity and address and other particulars of the customer that the Company may consider reasonable and necessary based on the risk profile of the customer, taking into account whether and when client due diligence measures were last undertaken and the adequacy of data obtained. Customers may be notified via email or SMS for KYC updates and may provide updated information online, through mail, or in person at branches."

ii. Company may not seek fresh proofs of identity and address at the time of periodic updation, from those customers who are categorised as 'low risk', in case there is no change in status with respect to their identities and addresses. A self-certification by the customer to that effect should suffice in such cases. In case of change of address of such 'low risk' customers, they could merely forward a certified copy of the document (proof of address) by mail/post, etc. Company may not insist on physical presence of such low risk customer at the time of periodic updation. The time limits prescribed at (i) above would apply from the date of opening of the account/ last verification of KYC.

iii. Fresh photographs to be obtained from minor customer on becoming major.

12. Review & Updation in KYC Policy

PO shall, after taking the due approval from the Board, make the necessary amendments/modifications in the KYC/ AML/ CFT Policy or such other related guidance notes of Company, not later than One Year or any other frequency depending on the business development and expansion or product enhancements or to be in line with RBI or such other statutory authority's requirements/updates/ amendments from time to time.

Amit Jain
(Managing Director)
DIN- 7632009

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