

**IIPL KYC & AML Policy**

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In compliance with the Circular issued by the RBI regarding 'Know Your Customer' guidelines & 'Anti-Money Laundering Standards' to be followed by all NBFCs, the following KYC & AML policy of JSW Investments Private Limited ("**the company**") has been adopted by the Board of Directors of the Company at their Board Meeting held on 15.05.2017.

The policy may be known as "Know Your Customer" (KYC) & Anti Money Laundering (AML) Policy.

1. Objectives:

- (i) To put in place systems and procedures to help control financial frauds, identify money laundering and suspicious activities and safeguarding the company from being unwittingly used for transfer or deposit of funds derived from criminal activity or for financing of terrorism;
- (ii) To put in place systems and procedures for customer identification and verifying his / her identity and residential address; and
- (iii) To monitor transactions of a suspicious nature.

2. Definition:

- (i) '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.
- (ii) "Officially valid document" (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 Aadhaar number, or any other document as notified by the Central Government in consultation with the Regulator.

3. Customer Acceptance Policy (CAP)

The Customer acceptance policy of the Company is aimed at ensuring that explicit guidelines are in place on the following aspects of customer relationship in the Company.

- (i) No account shall be opened in anonymous or fictitious/ benami name.
- (ii) Parameters of risk perception are defined in this policy under the head "Risk Categorisation" 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 company in categorizing the customers into low, medium and high risk ones.

- (iii) Documents and other information shall 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.
- (iv) No transaction shall be executed where the Company is unable to apply appropriate customer due diligence measures, i.e., the Company 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.
- (v) 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.
- (vi) The Company 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.

4. Customer Identification Procedure (CIP)

4.1 General

Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. The Company shall obtain sufficient information necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of the business relationship. 'Being Satisfied' means that the Company must be able to satisfy the competent authorities that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines (Issued by Reserve Bank of India) in place. Such risk-based approach is considered necessary to avoid disproportionate cost to the Company and a burdensome regime for the customers.

The policy approved by the Board of the Company clearly spell out the Customer Identification Procedure to be carried out at different stages, i.e.,

- (i) while establishing a business relationship;
- (ii) while carrying out a financial transaction;
- (iii) when the Company has a doubt about the authenticity or adequacy of the previously obtained customer identification data;

4.2 Customer Due Diligence requirements (CDD)

- (i) 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.
- (ii) 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.

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

5. Monitoring of Transactions

5.1 General

Ongoing monitoring is an essential element of effective KYC/AML procedures. The Company should 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 issued by Reserve Bank of India. The ongoing due diligence may be based on the following principles:

- (i) The extent of monitoring will depend on the risk category of the customer. High risk customers have to be subjected to more intensified monitoring.
- (ii) The Company shall pay particular attention to:
 - a. all large and complex transactions, and those with unusual patterns, which have no apparent economic rationale or legitimate purpose.
 - b. transactions involving large amounts of cash inconsistent with the normal and expected activity of the customer.

The Company shall put in place a system of periodical review of risk categorization of customers and apply enhanced due diligence measures in case of higher risk perception on a customer. Such review of risk categorisation of customers should be carried out at a periodicity of not less than once in six months.

5.2 Maintenance of records of transactions:

The Company's system of maintaining proper records of transaction is in conformity with the requirement u/s 12 of PMLA read with Rule 3 of the Prevention of Money-Laundering (maintenance of Records) Rules 2005 as mentioned below:

- (i) All cash transactions of the value of more than Rs. 10 Lacs or its equivalent in foreign currency;
- (ii) All series of cash transactions integrally connected to each other which have been individually valued below Rs. 10 Lacs or its equivalent in foreign currency where such series of transaction have taken place within a month and the monthly aggregate exceeds Rs. 10 Lacs or its equivalent in foreign currency;
- (iii) All transactions involving receipts by non-profit organization of Rs. 10 Lacs or its equivalent in foreign currency;

- (iv) All cash transactions [in terms of Rule 3(c)] where forged or counterfeit currency notes or bank notes has been used as genuine or where any forgery of valuable security or a document has taken place facilitating the transactions;
- (v) All suspicious transactions whether or not made in cash and by way of as mentioned in Rule 3(1)(D) of the PML Rules.

5.3 Reporting of aforesaid information to FIU-IND

All the transactions mentioned hereinabove point 5.2 shall be reported immediately to the Principal Officer of the Company.

The Principal Officer of the Company shall furnish all the information referred to in sub points no. (i) to (iv) of point 5.2 to the Director, FIU-IND by the 15th day of succeeding month.

The Principal Officer of the Company shall furnish all the suspicious transactions referred to in sub point no. (v) of point 5.2 to the Director, FIU-IND not later than 7 working days on being satisfied that the transaction is suspicious.

5.4 Preservation of Records

The Company shall maintain record of all transaction mentioned in point no. 5.1 to 5.3 for a period of five years from the date of transaction between a customer and the Company.

The records related to identity proof of customers and their beneficial owners, if any, shall be maintained for a period of five years after the business relationship between a customer and the Company has ended.

6. Risk Management

6.1 General

The Company shall exercise on going due diligence with respect to the business relationship with every customer and closely examine the transactions in order to ensure that they are consistent with their knowledge about the customer, their business and risk profile and where necessary, the source of funds.

The Company shall ensure that an effective AML/CFT programme is in place by establishing appropriate procedures and ensuring their effective implementation. It shall cover proper management oversight, systems and controls, segregation of duties, training of staff and other related matters.

The Company shall prepare a profile for each new customer based on risk categorisation. The customer profile shall contain information relating to customer's identity, social/financial status, nature of business activity, information about the clients' business and their location etc. The nature and extent of due diligence will depend on the risk perceived by the Company.

The Company shall categorize their customers into low, medium and high risk category based on their assessment and risk perception of the customers, identifying transactions that fall outside the regular pattern of activity and not merely based on any group or class they belong to. Risk categorization of customers given in point no. 6.2 below shall be meticulously complied with to effectively help in combating money laundering activities.

6.2 Risk categorization

(i) Low Risk

- (a) Individuals (other than High Net Worth);
- (b) entities, whose identity and source of income, can be easily identified; and
- (c) customers in whose accounts the transactions conform to the known profile.

Further, Non-Profit Organisations (NPOs)/ Non-Government Organisations (NGOs) promoted by the United Nations or its agencies, and such international/ multilateral organizations of repute, may also be classified as low risk customers.

(ii) Medium Risk

Customers who are likely to pose a higher than average risk shall be categorised as medium risk depending on the background, nature and location of activity, country of origin, sources of funds, customer profile, etc.

(iii) High Risk

- (a) Customers involved in cash intensive business;
- (b) Politically Exposed Persons (PEPs) of foreign origin

The above risk categorisation are indicative and the company may use its own judgement in arriving at the categorisation for each customer based on its own assessment and risk perception of the customers and not merely based on any group or class they belong to. The company may use for guidance in its own risk assessment, the reports and guidance notes on KYC/AML issued by the Indian Banks Association.

7. General Guidelines

7.1 Confidentiality of customer information

Information collected from customers for the purpose of new business relationship is to be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, etc. Information sought from the customer shall be relevant to the perceived risk and be non-intrusive.

7.2 Avoiding hardship to customers

While issuing operational instructions, the Company shall 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.

7.3 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. The Company, shall therefore, educate the customer regarding the objectives of the AML/CFT requirements for which their cooperation is solicited.

7.4 Employee training

The Company shall have an ongoing employee training programme so that the members of staff are adequately trained in AML/CFT policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers.

7.5 Provisions of FCRA

The Company shall ensure that the provisions of the Foreign Contribution (Regulation) Act, 2010, wherever applicable, are strictly adhered to.

7.6 Designated Director

The Company has nominated a Director on its Board 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 details of designated director are as under:

Name: **MR. VINEET AGRAWAL**

Address: JSW CENTRE, BANDRA KURLA COMPLEX, BANDRA EAST, 400051.

7.7 Principal Officer

The Company has appointed Company Secretary as Principal Officer (PO) of the Company. The PO shall be independent and report directly to the Board of Directors of the Company. The PO shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations relating to Prevention of Money Laundering. The details of PO are as under:

Name: **MR. AJAY JOSHI**

Address: A/501, Gokul Annexe, Near Gokul Township, Agashi Road, Bolinj, 401303

7.8 Periodic updation of KYC

The Company shall carry out periodical updation of KYC information of every customer, which shall include 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.
- (ii) The Company need 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 shall 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. The company shall 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 initiating business relationship with the customer/ last verification of KYC.

(iii) Fresh photographs shall be obtained from minor customer on becoming major.

Customer Identification Requirements – Indicative Guidelines

Beneficial ownership

When the Company identifies a customer for establishing business relationship, it should identify the beneficial owner(s) and take all reasonable steps in terms of Rule 9(3) of the PML Rules to verify his identity, as per guidelines provided below:

(a) Where the client is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have a controlling ownership interest or who exercises control through other means.

Explanation- For the purpose of this sub-clause-

“Controlling ownership interest” means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of the company.

“Control” shall include the 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.

(b) Where the client is a partnership firm, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of capital or profits of the partnership.

(c) Where the client is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.

(d) Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

(e) Where the client is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

(f) Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

Trust/Nominee or Fiduciary Accounts

There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. In such cases, the Company shall determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, the Company shall insist on satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. The different categories of beneficiaries should be identified as

defined above. In the case of a 'foundation', steps should be taken to verify the founder managers/ directors and the beneficiaries, if defined.

Accounts of companies and firms

(i) Where the customer is a company, one certified copy each of the following documents are required for customer identification:

- (a) Certificate of incorporation;
- (b) Memorandum and Articles of Association;
- (c) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf and
- (d) An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.

The Company needs to be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with the company. The Company shall examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perception e.g. in the case of a public company it will not be necessary to identify all the shareholders.

(ii) Where the customer is a partnership firm, one certified copy of the following documents is required for customer identification:

- (a) Registration certificate;
- (b) Partnership deed and
- (c) an officially valid document in respect of the person holding an attorney to transact on its behalf.

(iii) Where the customer is a trust, one certified copy of the following documents is required for customer identification:

- (a) Registration certificate;
- (b) Trust deed and
- (c) an officially valid document in respect of the person holding a power of attorney to transact on its behalf.

(iv) Where the customer is an unincorporated association or a body of individuals, one certified copy of the following documents is required for customer identification:

- (a) Resolution of the managing body of such association or body of individuals;
- (b) Power of attorney granted to transact on its behalf;
- (c) an officially valid document in respect of the person holding an attorney to transact on its behalf and
- (d) such information as may be required by the bank/FI to collectively establish the legal existence of such an association or body of individuals.

Customer accounts managed by professional intermediaries

When the Company has knowledge or reason to believe that the customer account managed by a professional intermediary is on behalf of a single customer, that customer must be identified. Where the Company rely on the 'customer due diligence' (CDD) done by an intermediary, it

should satisfy itself that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers. It should be understood that the ultimate responsibility for knowing the customer lies with the Company.

Accounts of Politically Exposed Persons (PEPs) resident outside India

Politically Exposed Persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The company shall gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on such person in the public domain. The Company shall also subject such accounts to enhanced monitoring on an on-going basis. The above norms shall also be applied to the accounts of the family members or close relatives of PEPs.

1) In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, The Company shall obtain senior management's approval to continue the business relationship and subject the account to the CDD measures as applicable to PEPs including enhanced monitoring on an ongoing basis. These instructions are also applicable to accounts where a PEP is the ultimate beneficial owner.

Further, the Company shall have appropriate ongoing risk management systems for identifying and applying enhanced CDD to PEPs, customers who are close relatives of PEPs, and accounts of which a PEP is the ultimate beneficial owner.
