

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

Golden Goenka Fincorp Limited (GGFL)

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GOLDEN GOENKA FINCORP LIMITED (GGFL)

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GOLDEN GOENKA FINCORP LIMITED (GGFL)

INTRODUCTION

This KNOW YOUR CUSTOMER (KYC) AND ANTI MONEY LAUNDERING (AML) POLICY has been approved by the Board of Directors of the Company at its meeting held on 13th August, 2014 and supercedes the earlier KYC Policy approved by the Board of Directors of the Company at its meeting held on 25th April, 2012

As per the guidelines issued by the Reserve Bank of India on the 21st February, 2005 on 'Know Your Customer' (KYC) Guidelines – Anti Money Laundering Standards, the Company is required to put in place a comprehensive policy framework covering KYC Standards and AML Measures. This policy document is prepared in line with the RBI guidelines.

POLICY OBJECTIVES

It is the Policy of GGFL that statutory and regulatory obligations to prevent money laundering are to be met in full.

GGFL will exercise due care in order to minimize the risk of its services being abused for the purposes of laundering funds associated with drug trafficking, terrorism and other serious crime. The objectives of the Policy are as follows:

- (i) To prevent criminal elements from using GGFL system for money laundering activities*
- (ii) To enable GGFL to know/understand the customers and their financial dealings better, which in turn would help GGFL to manage risks prudently*
- (iii) To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.*
- (iv) To comply with applicable laws and regulatory guidelines*
- (v) To take necessary steps to ensure that the concerned staff are adequately trained in KYC/AML procedures.*

SCOPE OF THE POLICY

This policy is applicable to all the offices of GGFL and is to be read in conjunction with related operational guidelines issued from time to time.

MONEY LAUNDERING

Money laundering is a process to make illegitimate money appear legitimate. It involves cleansing of dirty money engaging in a series of financial transactions. It is called 'dirty money' because it originates from criminal activities like drug trafficking, embezzlement, tax evasion, corruption, illegal gambling, smuggling, arson racketeering, illegal prostitution, fraud or any other illegal activity, with the objective of hiding their true source and making them legally usable.

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Section 3 of the Prevention of Money Laundering Act, 2002 defines offence of money laundering as under:

"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."

GGFL being a financial institution may be used at any point in the money laundering process. All financial centers are vulnerable and all financial institutions within those centers need to play their part in preventing the criminals from successfully laundering their criminal money.

OBLIGATIONS UNDER THE PML ACT 2002

Section 12 of PML Act 2002 places certain obligations on every banking company, financial institution and intermediary which include

- (i) Maintaining a record of prescribed transactions
- (ii) Furnishing information of prescribed transactions to the specified authority
- (iii) Verifying and maintaining records of the identity of its clients
- (iv) Preserving records in respect of (i), (ii), (iii) above for a period of 10 years from the date of cessation of transactions with the clients

GGFL'S ROLE IN PREVENTING MONEY LAUNDERING

The prevention of money laundering from the point of view of GGFL has three objectives:

- **Ethical** - taking part in the fight against crime.
- **Professional** - ensuring that GGFL is not involved in recycling the proceeds of crime that would call into question its reputation, integrity and, if fraud is involved, its solvency.
- **Legal** - complying with RBI Regulations that impose a series of specific obligations on financial institutions and their employees.

All members of GGFL management and staff are expected to be aware of their personal legal obligations and the legal obligations of GGFL, be alert for anything suspicious, and report suspicions in line with internal procedures

DEFINITION OF CUSTOMER

A Customer for the purpose of this policy is defined as:

- (i) A person or an entity that maintains an account and/or has a business relationship with GGFL
- (ii) One on whose behalf the account is maintained [i.e. the beneficial owner].
- (iii) Beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted under the law and
- (iv) Any person or entity connected with a financial transaction.

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KEY ELEMENTS OF THE POLICY

- Customer Acceptance Policy
- Customer Identification Procedures
- Monitoring of Transactions
- Risk Management

CUSTOMER ACCEPTANCE POLICY (CAP)

The Customer Acceptance Policy ensures that explicit guidelines are in place on the following aspects of customer relationship in GGFL

- i. No accounts is to be opened in anonymous or fictitious/benami name(s);
- ii. Documentation requirements and other information are to be collected in respect of different categories of customers depending on perceived risk
- iii. Not to open an account or close an existing account where GGFL is unable to apply appropriate customer due diligence measures
- iv. 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 and there could be occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in the fiduciary capacity and
- v. Necessary checks before opening a new account so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organization etc.
- vi. GGFL shall not open the accounts for politicians of foreign origin and other suspect people except by the approval of Principal Officer

CUSTOMERS REQUIRING HIGH LEVEL OF MONITORING:

<i>High Risk</i>	<i>Low Risk</i>
<i>Non Resident Accounts</i>	<i>Salaried Employees</i>
<i>High Net worth individuals</i>	<i>People belonging to lower economic Group with low turn over</i>
<i>Trust, Charities, etc.</i>	<i>Government Departments</i>
<i>Companies having close family shareholding</i>	
<i>Firms with sleeping partners</i>	
<i>Politically Exposed Persons (PEP)</i>	

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CUSTOMER IDENTIFICATION PROCEDURES (CIP)

This policy spells out the Customer Identification Procedure to be carried out at different stages.

Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. The Company needs to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of business relationship.

For customers that are natural persons, we have to obtain sufficient identification data to verify the identity of the customer, his/her address/location and also his recent photograph.

For customers that are legal persons or entities, we have to (i) verify the legal status of the legal person/entity through proper and relevant documents (ii) verify that any person purporting to act on behalf of the legal person/entity is so authorized and identity and verify the identity of that person (iii) understand the ownership and control structure of the customer and determine who are the natural person who ultimately control the legal person.

The Customer Identification Procedures are to be carried out at the following stages

- *When GGFL feels it is necessary to obtain additional information from the existing customers based on the conduct or behavior of the account.*
- *While establishing a business relationship*

Customers will be classified into three risk categories namely High Medium and Low, based on the risk perception. The risk categorization will be reviewed periodically.

An indicative list of the nature and type of documents/information that may be relied upon for customer identification is given in this policy in the Annexure-1.

MONITORING OF TRANSACTION

- *On going monitoring is essential.*
- *All complex, unusual large amount and unusual pattern should be verified.*
- *Cash transactions inconsistent with normal activities should be watched.*
- *Branches should ensure that transaction as per section 12 of PML Act 2002.*
- *Any unusual high value cash transactions or regular high value business activity of the account holder should be enquired into, so as to safeguard against the possibility of GGFL system being used for money laundering or any illegal activity.*
- *All cash transactions of Rs.10 lakh and above should be reported to principal Officer immediately.*

Ongoing monitoring is an essential element of effective KYC procedures. GGFL can effectively control and reduce the risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity. However the extent of monitoring will depend on the risk sensitivity of the account.

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RISK MANAGEMENT

GGFL should ensure that the staff is well versed in evaluating and ensuring adherence to the KYC policies and procedures, including legal and regulatory requirements. Internal Auditors should specifically check and verify the application of KYC procedures of the Company 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 periodically.

Risk Management and Monitoring Procedures

In order to check possible abuse of GGFL's system for illegal and anti-national activities, GGFL clearly lays down a policy for adherence to the above requirements comprising the following:

(i) Internal Control Systems

Duties and responsibilities should be explicitly allocated for ensuring that policies and procedures are managed effectively and that there is full commitment and compliance to an effective KYC program in respect of both existing and prospective accounts.

(ii) Terrorism Finance

No account should be opened in the names of the terrorist organizations and RBI has been circulating list of terrorist entities notified by the Government of India to banks/FIs so that they may exercise caution if any transaction is detected with such entities. There should be a system to ensure that such lists are consulted in order to determine whether a person/organization involved in a prospective or existing business relationship appears on such a list.

(iii) Internal Audit

(b) Internal auditors must specifically scrutinize and comment on the effectiveness of the measures taken in adoption of KYC norms and steps towards prevention of money laundering. Such compliance report should be placed before the Audit Committee of the Board periodically

(iv) Identification and Reporting of Suspicious Transactions

GGFL should report transactions of suspicious nature to the appropriate law enforcement authorities designated under the relevant laws governing such activities. If there is any suspicious transaction then such transaction and action taken thereon must be reported to Audit Committee of Directors/Board of Directors.

(v) Adherence to Foreign Contribution Regulation Act (FCRA), 1976

GGFL should adhere to the instructions on the provisions of the Foreign Contribution Regulation Act 1976, cautioning them to open accounts or collect cheques only in favour of associations, which are registered under the Act. A certificate to the effect that the association is registered with the Government of India should be obtained from the concerned associations at the time of opening of the account or collection of cheques.

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(vi) Record Keeping:

As per RBI regulations, GGFL is required to keep records of such as account opening forms, vouchers, ledgers, registers etc pertaining to transactions for 10 years. In addition, GGFL should maintain the following documents in respect of accounts, which have been reported for suspicious activities like, Customer Profile, Reports made to Government authorities concerning suspicious activities with supporting documentation, records of all money laundering training etc.

(vii) Training of Staff and Management

It is crucial that all the staff fully understand the need for strict adherence to KYC norms. GGFL must, therefore, have an ongoing training program so that staffs are adequately trained for their roles and responsibilities as appropriate to their hierarchical level in complying with anti-money laundering guidelines and for implementing KYC policies consistently.

GGFL has already started training its employees so that the members of the staff are adequately trained in KYC procedures.

CUSTOMER EDUCATION

GGFL recognizes the need to spread awareness on KYC, Anti Money Laundering measures and the rationale behind them amongst the customers and shall keep taking suitable steps for the purpose.

KYC FOR EXISTING ACCOUNTS

While the KYC guidelines will apply to all new customers, the same would be applied to the existing customers on the basis of materiality and risk. However, transactions in existing accounts would be continuously monitored for any unusual pattern in the operation of the accounts. On the basis of materiality and risk, the existing accounts of companies, firms, trusts, charities, religious organizations and other institutions are subjected to minimum KYC standards which would establish the identity of the natural/legal person and those of the 'beneficial owners'.

SUSPICIOUS TRANSACTION REPORT

The Prevention of Money laundering Act, 2002 and the Rules there under require GGFL to furnish details of suspicious transactions whether or not made in cash. Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith

- a) Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- b) Appears to be made in circumstances of unusual or unjustified complexity; or
- c) Appears to have no economic rationale or bonafide purpose.

It is the duty of every member of management and staff to report any suspicious transactions or suspicions immediately to the Principal Officer on the Suspicious Transaction Report Form set out in Annexure-2.

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The Principal Officer will 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,
Chanakypuri
New Delhi-110021**

Broad categories of reason for suspicion and examples of suspicious transactions are indicated as under:

Identity of client

- False identification documents*
- Identification documents which could not be verified within reasonable time*
- Accounts opened with names very close to other established business entities*

Background of client

- Suspicious background or links with known criminals*

Multiple accounts

- Large number of accounts having a common account holder, introducer or authorized signatory with no rationale*
- Unexplained transfers between multiple accounts with no rationale*

Activity in accounts

- Unusual activity compared with past transactions*
- Activity inconsistent with what would be expected from declared business*

Nature of transactions

- Unusual or unjustified complexity*
- No economic rationale or bonafide purpose*
- Nature of transactions inconsistent with what would be expected from declared business*

Value of transactions

- Value inconsistent with the client's apparent financial standing*
- Value just under the reporting threshold amount in an apparent attempt to avoid reporting*

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PRINCIPAL OFFICER [MONEY LAUNDERING REPORTING OFFICER]

GGFL has designated Mr. Dinesh Burman, Executive Director as Principal Officer who is responsible for implementation of and compliance with this policy. His illustrative duties are as follows:

- *Monitoring the implementation of the KYC/AML policy*
- *Reporting of transactions and sharing of the information as required under the law.*
- *Maintaining liaison with law enforcement agencies.*
- *Ensuring submission of periodical reports to the top Management / Board.*

REVIEW OF THE POLICY

The policy will reviewed be at yearly intervals or as and when considered necessary by the Board.

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Annexure-1

CUSTOMER IDENTIFICATION PROCEDURE	
Features	Documents.
<p><i>Accounts of Individuals</i></p> <p><i>Legal Name and any other names used</i></p>	<p>1) Passport 2) PAN Card 3) Voter's Identity Card 4) Driving license. 5) Identity Card (subject to the GGFL's satisfaction) 6) Letter from a recognized public authority or public servant verifying the identity and residence of the customer of the satisfaction of GGFL.</p>
<p><i>Correct Permanent Address</i></p>	<p>1) Telephone Bill 2) Bank account statement 3) Letter from any recognized public authority 4) Electricity Bill 5) Ration Card 6) Letter from employer (subject to satisfaction of the GGFL) (any one document which provides customer information to the satisfaction of the GGFL will suffice)</p>
<p><i>Accounts of companies:</i></p> <ul style="list-style-type: none"> • Name of the company • Principal place of business • Mailing address of the Co., • Telephone/Fax Number 	<p>1) Certificate of incorporation and Memorandum & Articles of Association 2) Resolution of Board of Directors to open an account an identification of those who have authority to operate the account. 3) Power of attorney granted to Managers, officers and employees to transact business on its behalf 4) Copy of PAN allotment letter 5) Copy of the telephone bill.</p>
<p><i>Account of Partnership firms:</i></p> <ul style="list-style-type: none"> • Legal Name • Address • Name of all the partners and their addresses • Telephone numbers of the firm and partners. 	<p>1) Registration certificates if registered. 2) Partnership Deed 3) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf. 4) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses 5) Telephone bill in the name of firm/partners.</p>
<p><i>Accounts of Trusts & Foundation:</i></p> <ul style="list-style-type: none"> • Names of trustees, settlers, beneficiaries and signatories. • Names and addresses of the founder, the manager/directors and the beneficiaries. • Telephone/fax numbers. 	<p>1) Certificate of Registration (if registered) 2) Power of Attorney granted to transact business on its behalf 3) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founts/managers/directors and their addresses 4) Resolution of the managing body of the foundation/association 5) Telephone bill.</p>

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Annexure-2

SUSPICIOUS TRANSACTION INTERNAL REPORT FORM REPORTER: -

Date: _____

Name:

Tel:

Dept:

Position:.....

CUSTOMER:

Name:

Account No:

Address:.....

Contact Name:

Contact Tel:

Date Relationship started:

Customer reference:

Type of business:

INFORMATION/SUSPICION:

Date of suspected offence:.....

Amount concerned:

Type of suspected offence:

Reason for Suspicion:

{Note: it is an offence to advise the customer/client or anyone else of your suspicion or report.}

For PO USE:

Date received:.....

Time Received:

Ref:.....

PO's Comments:

.....