

## Know Your Customer and Anti-Money Laundering Policy

Policy Owner:	Compliance
Prepared By:	Kajol Tak
Reviewed By I:	Karna Rao
Reviewed By II:	Tom Brown
Approved By:	Board of Directors

### **Purpose –**

The Policy on Know Your Customer (“KYC”) Norms and Anti-Money Laundering Measures (“Policy”) is approved by the Board of Directors of CSI Leasing India Private Limited (“Company”) in compliance with the Master Directions issued by Reserve Bank of India (RBI) on KYC on February 25, 2016 (as amended from time to time) (“Master Directions”).

This policy establishes the requirements and procedures that must be followed in order to verify the identity of our customers and reasonably ensure that CSI is not knowingly or unknowingly assisting in the criminal activity of money laundering or terrorist financing. Also, this policy introduces measures to ensure compliance with regulatory requirements and mitigate the risk of money laundering and terrorist financing.

### **Scope –**

This policy applies to all employees and new and existing customers of CSI leasing.

### **Definitions –**

#### **Beneficial Owner (BO)”**

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

1. Controlling ownership interest means ownership of/entitlement to more than 10 percent of the shares or capital or profits of the company.

2. Control shall include the right to appoint a 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 **customer 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 percent of capital or profits of the partnership.

c. Where the **customer 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 percent of the property or capital or profits of the unincorporated association or body of individuals.

d. The body of individuals includes societies. **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 customer is a trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 10 percent 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.

**“Customer”** For the purpose of KYC norms, A customer is defined as a person who is engaged in a financial transaction or activity with the Company and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

**Customer due diligence** - means identifying and verifying the customer and the beneficial owner using reliable and independent sources of identification.

**“Designated Director”** means Managing Director and/or any whole time Director, duly authorised by the Board of Directors to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act, 2002 and the Rules.

**“Officially Valid Documents (“OVD”)** OVD means the passport, the driving licence, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA, the letter issued by the Unique Identification Authority of India containing details of name, address, and Aadhaar (Including E-Aadhaar) number or any other document which may be specified by Government/ Regulator.

**“Know Your Customer (KYC) Identifier”** means the unique number or code assigned to a customer by the Central KYC Records Registry Authority.

**“Principal Officer”** Principal Officer of the Company shall be responsible for furnishing information as per rule 8 of the Rules.

**“Suspicious transaction”** means a “transaction” as defined below, including an attempted 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 proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- b. appears to be made in circumstances of unusual or unjustified complexity; or
- c. appears to not have economic rationale or bona-fide purpose; or
- d. gives rise to reasonable grounds of suspicion that it may involve financing of the activities relating to terrorism.

### **Appointment of Principal Officer**

Mr. Karna Rao Director of the Company has been appointed as the Principal Officer of our Company. The Principal Officer shall *inter alia* be responsible for reporting of all Cash Transactions exceeding INR 10 lakh (Indian Rupees 1 million) and Suspicious Transactions to the Financial Intelligence Unit, India (FIU-IND) within the periodicity provided by the PMLA and Rules. Roles and responsibilities of the Principal Officer would 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 thereunder, as amended from time to time. The name, designation and address of the Principal Officer shall be communicated to FIU-IND.

### **Appointment of Designated Director**

Mr. Dharmesh Shah, Director has been appointed as Designated Director for ensuring compliance with the obligations under chapter IV of the PML Act. The name, designation and address of the Designated Director shall be communicated to FIU-IND.

### **Appointment of Senior Management**

As required under clause of KYC Direction issued by RBI, Senior Management is constituted for KYC Policy. Senior Management shall comprise of Head of Finance, Head of Sales, Credit Head, Head of Operations. The responsibility for effective implementation of policies and procedures is with the respective departments.

### **Hiring and Training**

HR, Legal & Compliance and Operations department to arrange an on-going training program for all the employees to ensure they are adequately trained in KYC/AML procedures. It is crucial that all those concerned fully understand the rationale behind the KYC/AML policies and implement them consistently.

### **Concurrent/Internal Audit**

Appropriate systems will be put in place to verify for compliance of KYC/AML policies and procedures on periodic basis. Evaluation of the compliance functions pertaining to KYC and PMLA shall be done on an annual basis.

### **Know Your Customer (“KYC”) Policy**

The company shall frame a policy on Know your Customer and Anti Money Laundering Measures duly approved by the Board. This policy shall include following four key elements:

- (a) Customer Acceptance Policy;
- (b) Risk Management;
- (c) Customer Identification Procedures (CIP); and
- (d) Monitoring of Transaction

### **Customer Acceptance Policy**

The company shall ensure the following:

- (a) No account is opened in anonymous or fictitious/benami name.
- (b) No account is opened where the Company is unable to apply appropriate Customer Due Diligence (“CDD”) measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.

- (c) No transaction or account-based relationship is undertaken without following the CDD procedure.
- (d) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation shall be specified.
- (e) Additional information, if any, is obtained with the explicit consent of the customer.
- (f) The Company shall apply the CDD procedure at the initial prospect state / Unique Customer Identification Code level. Thus, if an existing KYC compliant customer of the Company desires to open another account with the Company there shall be no need for a fresh CDD exercise.
- (g) The CDD Procedure is followed for all the joint account holders, while opening a joint account.
- (h) Circumstances in which a customer is permitted to act on behalf of another person/entity are clearly spelt out.
- (i) A suitable system is put in place to ensure that the identity of the customer does not match with any person or entity whose name appears in the sanctions lists circulated by RBI.
- (j) Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- (l) Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.

### **Risk Assessment and Management**

The Board of Directors of CSI has determined that it is prudent to perform a risk assessment and to implement appropriate procedures to address the risk of money laundering in our business.

AML policies and procedures will have the added effect of enhancing CSI's ability to detect and reduce the incidences of fraud or other suspicious behaviour. In general, leasing is a financial product with a relatively low risk of money laundering compared to other financial products. Looking at the traditional money laundering model, leasing is not generally an appropriate vehicle and the long-term nature of a lease (generally 3 years or more) with multiple monthly or quarterly instalments is a structure that is not suitable for laundering money because the activities are more likely to be discovered over time. Also, the assets are not liquid or immediately available for the enterprise laundering the money. CSI's standard business practices create a lower risk of money laundering as well.

We generally require 3 years of audited financial statements under our credit policies, so we are only doing business with established, legitimate, audited companies. We do not lease to start ups, and generally we do not lease to special purpose entities or entities that have been in existence less than one year. We discourage "one-off" lease transactions; our business model encourages a long-term relationship with our customers. We do not finance companies through the internet, telemarketing, or other impersonal means. Our sales relationship is face

to face and personal. We lease hardware equipment assets that we purchase directly from reputable manufacturers or their authorized resellers. We have product specialists who review the equipment pricing at the time the lease transaction is approved to ensure we are not paying overly inflated pricing for equipment. The lease transaction almost always involves three distinct and disinterested parties – Lessor, Lessee and the vendor. Therefore, absent fraud or collusion, it is much more difficult to conceal criminal activity in the lease transaction.

The company may classify customers into various risk categories and based on risk perception decide on acceptance criteria for each customer category. For the purpose of risk categorisation of customer, Company shall obtain the relevant information from the customer at the time of account opening. Customers shall be categorised as low, medium and high-risk category, based on the assessment and risk perception of the Company. Risk categorisation shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the clients' business, security offered and their location etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

Nevertheless, CSI remains vigilant in its monitoring of suspicious activity. Heightened scrutiny is warranted in the following circumstances:

- a) In a sale-leaseback transactions because funds are transferred directly to the customer, and the existence of the equipment and the equipment value may be more difficult to verify;
- b) A new customer that is not publicly traded and cannot provide audited financial statements
- c) A customer referred from a vendor with whom we do not have face-to-face contact prior to the issuance of the finance/lease agreement.
- d) Transactions involving exchange of foreign currency in the payment of the lease rental or the purchase of equipment.
- e) Unrelated guarantors or lease payments made by third parties.
- f) Lease payments made in cash or prepaid in large amounts.
- g) Leased equipment unrelated to Lessee's business.

Each of the above situations also presents a heightened risk of fraud, so CSI shall take additional due diligence measures to verify the identity and existence of the customer.

## **CUSTOMER IDENTIFICATION AND VERIFICATION**

Customer Due diligence –

The Company shall ensure thorough due diligence on prospective customers before entering into a lease / finance agreement.

The Company shall have a mandatory visit at the premises for new customers to ascertain the real existence of such a business/industrial unit or person, its scale of operations and financial status commensurate with its turnover.

Categorize customers based on risk (low, medium, high) and apply corresponding due diligence measures.

**Identification of documents –**

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 business relationship.

The Company shall ensure documents are current, valid, and meet regulatory standards.

For customers that are natural persons, the Company shall obtain sufficient identification data to verify the identity of the customer, the customer's address/location, and also recent photograph, wherever deemed necessary.

For customers that are legal persons or entities, the Company shall:

- 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 identify and verify the identity of that person;
- iii. understand the ownership and control structure of the customer and determine who the natural persons are and who ultimately control the legal person.

For opening an account of a company, CSI will ask the customer to complete the lease/ loan/ facility agreement and certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- (a) Certificate of Incorporation
- (b) Memorandum and Articles of Association
- (c) Permanent Account Number of the company
- (d) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
- (e) Documents, as specified in Section 16, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf
- (f) the names of the relevant persons holding senior management position; and
- (g) the registered office and the principal place of its business, if it is different.
- (h) Audited financial statements
- (i) GST Registration Certificate
- (j) TAN Certificate

If CSI obtains a personal guarantee from a shareholder or director of the customer, CSI shall obtain the identity and proof of address of the personal guarantor.

The name and address of the customer and guarantors and the identity of the signatories to all agreements shall be verified.

For undertaking CDD, the company shall obtain the following from an individual when dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:

- (i) Recent coloured passport size photograph
- (ii) Copy of PAN (Form 60 as per IT rules to be taken in case PAN is not available)
- (iii) Copy of Aadhar or one of the OVDs to be taken for verification of the identity and the address OR the equivalent e-document thereof;
- (iv) Other documents including in respect of the nature of the business and financial status of the customer or the equivalent e-document thereof, as may be required by the company.

### **Identification of Beneficial Owner**

For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and all reasonable steps in terms of subrule (3) of Rule 9 of the Rules to verify his/her identity shall be undertaken keeping in view the following:

(a) Where the customer or the owner of the controlling interest is (i) an entity listed on a stock exchange in India, or (ii) it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions, or (iii) it is a subsidiary of such listed entities, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such entities.

(b) In cases of trust/nominee or fiduciary accounts, whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, and details of the nature of the trust or other arrangements in place shall be obtained.

### **Enhanced Due Diligence**

The company shall apply enhanced due diligence measures for high-risk customers, including additional verification steps and monitoring.

It is the general practice of CSI Leasing to develop a long-term business relationship with all of our customers. As a matter of course, CSI's sales associates generally visit with the customer prior to issuing a lease agreement. In addition, as part of the credit process, CSI's credit department generally requires audited financial statements for privately held companies. In addition to the customer identification and customer verification procedures, in the following cases, a personal visit by a CSI representative to the customer's office location is highly recommended prior to the issuance of any lease document or the payment for equipment:

- a) a sale-leaseback with a new customer;
- b) a start up or company that has been in existence less than a year without audited financial statements;
- c) a new referral from a broker or vendor;
- d) a cross border lease or lease that requires a currency exchange;

- e) a lease or location of equipment in a jurisdiction that has been designated as a primary money laundering concern;
- f) an unrelated or third party to pay the lease payments or provides a guarantee;
- g) unusual lease payment structure is proposed by the customer;
- h) the equipment type is incongruent with the customer's business.

In these circumstances, please consult with the Principal Officer regarding additional due diligence measures.

### **Ongoing Due Diligence**

The Company shall undertake on-going due diligence of customers to ensure that the transactions are consistent with their knowledge about the customers, the customers' business and risk profile, and the source of funds.

The extent of monitoring shall be aligned with the risk category of the customer.

(a) A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months and the need for applying enhanced due diligence measures to ensure that they are consistent with the customer's profile and source of funds. High risk accounts have to be subjected to more intensified monitoring.

(b) The Company shall pay particular attention to the large and complex transactions, those with unusual patterns, transactions involving large amounts of cash inconsistent with the normal and expected activity of the customer, and high account turnover inconsistent with the size of the balance maintained.

### **Periodic Updation**

The Company shall follow risk-based approach where full KYC exercise will be done at least every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers from the date of opening of the account/ last verification of KYC.

In cases in which there is no change in the KYC documents, self-declaration shall be obtained from the email address or mobile number registered with the Company or letter from an official authorized by the customer in this regard. In cases in which there is change only in the address, a self-declaration along with the valid proof of address shall be obtained. Further, the Company shall ensure during this process that Beneficial Ownership information available with the Company is accurate and shall update the same, if required. Certified copy of the OVD containing identity and address shall be obtained at the time of periodic updation from individuals not eligible to obtain Aadhaar. Fresh proofs of identity and address at the time of periodic updation need not be sought from those customers who are categorised as 'low risk' in cases of no change in status with respect to their identities and addresses. A self-certification by the customer to that effect may be obtained in such cases. In case of change of address of such 'low risk' customers, such customers may forward a certified copy of the proof of address by mail/post, etc.



The time-limits prescribed above would apply from the date of opening of the account/ last verification of KYC.

### **Maintenance of Records**

CSI shall have a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005), as mentioned below:

(i) all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;

(ii) a series of all cash transactions individually valued below Rupees Ten Lakh, or its equivalent in foreign currency which have taken place within a month and the monthly aggregate which exceeds rupees ten lakhs or its equivalent in foreign currency. It is clarified that for determining 'integrally connected transactions,' all accounts of the same customer should be taken into account.

(iii) 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 facilitating the transactions;

(iv) all suspicious transactions whether or not made in cash and in manner as mentioned in the Rules framed by Government of India under the Prevention of Money Laundering Act, 2002.

NBFCs are required to adhere to the reporting requirements as per the amended rules.

CSI shall maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following information:

- i. the nature of the transactions;
- ii. the amount of the transaction and the currency in which it was denominated;
- iii. the date on which the transaction was conducted; and
- iv. the parties to the transaction.

### **Preservation of Records**

CSI shall take appropriate steps to evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities.

CSI shall ensure that records of all transactions referred to in section 12(1)(a) of the Act read with Rule 3 of the Rules and records pertaining to the identification of the customers and their address are properly preserved for at least five years after the business relationship is ended.

Further, all complex, unusual large transactions and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose, the background including all

documents/office records/memorandums pertaining to such transactions and purpose thereof should be properly recorded and preserved for five years as is required under PMLA, 2002.

### **Reporting of Suspicious AML or Fraudulent Activity**

Every employee of CSI shall be vigilant in watching for unusual activity or possible instances of fraud, money laundering, or the financing of criminal or terrorist activities. The first line of reporting suspicious activity is the employee's supervisor. However, there may be cases in which reporting to the supervisor may not be warranted (if, for instance, the supervisor is implicated in the suspicious activity). All employees are encouraged to report suspicious activity to the CSI Compliance Help Desk or to make any inquiries regarding these policies or any suspicious activity to the Principal Officer. The contact details are below:

#### **Mr. Karna Rao**

Principal Officer Address:

Vatika Business Centre, 7<sup>th</sup> Floor, Supreme Business Park,  
Wing B, Hiranandani Gardens, Powai,  
Mumbai, Maharashtra – 400076 India.

Email: [karna.rao@csileasing.com](mailto:karna.rao@csileasing.com)

Phone: 022 42389205