

## **Supra Pacific Financial Services Limited**

### **08) Guidelines on KYC AML Measures**

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#### **1. Introduction**

Reserve Bank of India (RBI) has issued guidelines on 'Know Your Customer' (KYC) Guidelines - Anti Money Laundering Standards for Non-Banking Finance Companies (NBFCs) thereby setting standards for prevention of money laundering activities and corporate practices while dealing with their customers vide Circular Nos.: DNBR (PD) CC No. 051/3.10119/2015-16, dated July 1, 2015.

Similarly, KYC guidelines have been issued by NSDL and CDSL on customer identification and proof of address at the time of opening the account and for subsequent changes/modification etc. Detailed master circulars have been issued by NSDL and CDSL based on the SEBI guidelines from time to time on the account opening, nomination, changes/modification/closure, operations, audit etc. in respect of different types of customers.

"Supra" or "Company" means Supra Pacific Financial Services Ltd.

The Company shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications if any necessary to this code to conform to the standards so prescribed. This policy is applicable across all branches / business segments of the Company, and its financial subsidiaries and is to be read in conjunction with related operational guidelines issued from time to time. The contents of the policy shall always be read in tandem/auto-corrected with the changes/modifications which shall be advised by RBI from time to time.

The Company endeavours to frame a proper policy framework on 'Know Your Customer' (KYC) and Anti-Money Laundering measures. The Company is committed for transparency and fairness in dealing with all stakeholders and in ensuring adherence to all laws and regulations. The Company ensures that the information collected from the customer for any purpose would be kept as confidential and not divulges any details thereof for cross selling or any other purposes. The Company commits that information sought from the customer is relevant to the perceived risk, is not intrusive, and is in conformity with the guidelines issued in this regard. Any other information from the customer shall be sought separately with his /her consent and after effective rendering of services.

The Company shall also communicate its KYC norms to its customers. The Company shall ensure that the implementation of the KYC norms is the responsibility of the entire organisation.

The Company's Board of Directors and the management team are responsible for implementing the KYC norms hereinafter detailed, and also to ensure that its operations reflect its initiatives to prevent money laundering activities.

## **2. Definitions:**

**Customer:** For the purpose of KYC policy, a 'Customer' shall be defined as:

- (i) A person or entity that maintains and/or has a business relationship with the Company;
- (ii) One on whose behalf such relationship 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 which can pose significant reputation or other risks to the Company, say, a wire transfer or issue of a high value demand draft as a single transaction.

## **3. Objective:**

The objective of KYC guidelines is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable the Company to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently.

## **4. Framing KYC Policies:**

The Company hereunder is framing its KYC policies incorporating the following four key elements:

- (i) Customer Acceptance Policy
- (ii) Customer Identification Procedures; (iii) Monitoring of Transactions; and (iv) Risk management.

### **(i) Customer Acceptance Policy (CAP)**

The guidelines for Customer Acceptance Policy (CAP) for the Company are given below:

- No account is/will be opened in anonymous or fictitious/ benami name(s).
- Customer identification means identifying the customer and verifying his / her identity by using reliable and independent source of documents, data or information to ensure that the customer is not a fictitious person.
- The company shall ensure that its customer is not a fictitious person by verifying the identity of the customer through documentation and shall also carry out necessary checks, so as to ensure that the identity of the customer on the basis of the documents obtained does not match with any person with known criminal background or with banned entities, such as individual terrorists or terrorist organizations. The company shall periodically monitor its customer base with the RBI circulars and information providing such lists of terrorists or terrorist organizations.
- Documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the

requirements of Prevention of Money Laundering (PML) Act, 2002 and guidelines issued by Reserve Bank from time to time;

- The company may prepare a profile for each new customer based on risk categorization. The customer profile may contain information relating to customer's identity, profile, social / financial status and nature and location of its business activity.
- Adoption of customer acceptance policy and its implementation shall not become too restrictive and shall not result in denial of financial services to general public, especially to those, who are financially or socially disadvantaged.
- There are certain indicative guidelines issued by RBI from time to time for customer identification requirements with regard to matters, such as `Trust / Nominee or Fiduciary Accounts, Accounts of companies & firms, Client Accounts opened by professional intermediaries, Accounts of Politically Exposed Persons resident outside India and Accounts of non-face-to-face customers and these guidelines may also be adhered to, to the extent applicable.
- Politically exposed persons are individuals, who are or have been entrusted with prominent public functions in a foreign country e.g. heads of states or of governments, senior politicians, senior government / judicial / military officers, senior executives of state owned corporations, important political party officials etc. Decision to deal with such persons as a customer shall be taken up at a senior management level and shall be subjected to enhance monitoring.

#### **(ii) Customer Identification Procedure (CIP)**

The policy clearly spells out the Customer Identification Procedure to be carried out at different stages i.e. while establishing a business relationship; carrying out a financial transaction or when the Company has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data. 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 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 in place. Such risk based approach is considered necessary to avoid disproportionate cost to Company and a burdensome regime for the customers. Besides risk perception, the nature of information/documents required would also depend on the type of customer (individual, corporate etc). For customers that are natural persons, the Company shall obtain sufficient identification data to verify the identity of the customer, his address/location, and also his Pan Card details.

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

In addition to verification through one or more of the documents as mentioned in Annexure-I, the company may also call for suitable introduction by a person known to the company/group companies

### **(iii) Monitoring of Transactions**

Ongoing monitoring is an essential element of effective KYC procedures. The Company can effectively control and reduce their 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 shall depend on the risk sensitivity attached with the client. The Company shall pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.

The company normally does not and would not have large cash transactions. However, if and when cash transactions of Rs.10 lakhs and above are undertaken, the company will keep proper record of all such cash transactions in a separate register maintained at its office.

The company shall monitor transactions of a suspicious nature on an ongoing basis for the purpose of reporting it to the appropriate authorities.

The extent of monitoring by the Company will depend on the risk sensitivity of the account and special attention will be given to all complex unusually large transactions, which have no apparent economic or lawful purpose.

All the transaction information shall be preserved at least for ten years from the date of transaction between the Company and the Customer. All necessary records of transactions which will permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

### **(iv) Risk Management**

The company may categorize its customers into 'High Risk' & 'Others' according to risk perceived based on its experience and review it from time to time. The company may devise procedures for creating risk profiles of its existing and new customers and apply various Anti-Money Laundering measures keeping in view the risks involved in a financial transaction or a business relationship. The company's internal audit and compliance functions shall play an important role in evaluating and ensuring adherence to KYC policies and procedure, including legal and regulatory requirement. The internal audit machinery shall be at all points of time staffed adequately with individuals who are well versed in such policies and procedures. The company for this purpose, if required, may also engage independent risk management companies/agencies and solicit their independent opinion. The compliance in this regard is being and will continue to be put up before the Audit Committee/Board on a periodical basis.

## **5. Customer & Staff Education**

Implementation of KYC procedures requires the Company to demand certain information from customers which shall be of personal nature or which have hitherto never been called for. This may sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. The Company shall prepare specific literature/pamphlets etc. so as to educate the customer of the objectives of the KYC

programme. The front desk staffs shall be specially trained to handle such situations while dealing with customers.

## **6. Combating financing of terrorism**

In terms of PMLA Rules, suspicious transaction shall include inter alia transactions which give rise to a reasonable ground of suspicion that these may involve financing of the activities relating to terrorism. The company shall promptly report such high value cash transactions or transactions of a suspicious nature to the appropriate regulatory and investigating authorities

## **7. Appointment of Compliance/Principal Officer**

The Company has / will have a Director / Senior management officer designated as Compliance / Principal Officer. Compliance / Principal Officer is / shall be located at the head/corporate office of the Company and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He shall maintain close liaison with enforcement agencies, banks and any other institution which are involved in the fight against money laundering and combating financing of terrorism. The Director appointed under Companies Act shall be the Compliance / Principal Officer of the Company for this purpose.

The Company shall abide by all guidelines, directives, instructions and advices of Reserve Bank of India as shall be in force from time to time. The contents in this document shall be read in conjunction with these guidelines, directives, instructions and advices. The Company shall apply better practice so long as such practice does not conflict with or violate Reserve Bank of India regulations.

## **8. Amendments in the Policy**

Any amendments in this policy shall not be carried out unless the same are authorised by Managing Director (MD) and/or Chief Financial Officer (CFO) of the Company. Any such changes / amendments made in the Policy shall be put before the Board of Directors in their meeting immediately succeeding such changes / amendments, for purpose of information.

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## Annexure I

### Customer Identification Procedure Features to be verified and documents that shall be obtained from customers

KYC Checklist	
Type of Customer	Documents
In case of Individuals	<p><b>Identity proof:</b> (Copy of one of the following)</p> <ul style="list-style-type: none"><li>Income Tax Pan Card</li><li>Passport</li><li>Voter's Identity Card</li><li>Driving Licence</li><li>Bank Pass Book (Scheduled Bank)</li></ul> <p><b>Residence proof:</b> (Copy of one of the following)</p> <ul style="list-style-type: none"><li>Latest Telephone bill</li><li>Latest Electricity bill</li><li>Registered rental/lease/sale agreement</li><li>Passport</li><li>Ration Card</li><li>Voter's Identity Card</li><li>Driving Licence</li><li>Latest Bank Account statement or Bank Pass Book of Scheduled Bank</li><li>Latest Credit Card statement</li><li>Latest Demat account statement</li></ul>
In case of <u>Non-Individual</u>	<p><b>Identity &amp; Residence proof</b> (Copies of the following)</p> <ul style="list-style-type: none"><li>Income Tax Pan Card</li><li>Incorporation Certificate &amp; Memorandum &amp; Articles of Association (Registration Certificate &amp; Deed, in case of Partnership firm/Trust)</li><li>List of Directors/Partners/Trustees along with their residential addresses &amp; copies of their PAN card or Passport</li><li>Latest shareholding pattern, along with the list of major shareholders having more than 20% of holding in case of Company</li><li>Latest telephone bill or electricity bill or Registered. Rental /Lease /Sale agreement or Shops &amp; Establishment Certificate</li></ul>