



POLICY ON 'KNOW YOUR CUSTOMER' NORMS & ANTI-MONEY LAUNDERING MEASURES

SUNGOLD CAPITAL LIMITED

1. INTRODUCTION:

As a non-deposit taking Non-Banking Finance Company, registered with the Reserve Bank of India (RBI), the company is required as per RBI guidelines to adopt and regularly review the “Know Your Customer & Anti-money Laundering Policy”.

The current version of the combined policy on Know Your Customer & Anti-Money Laundering is the updated version, where a formal policy on PMLA has been integrated to the prevalent KYC policy, duly edited in line with the latest guidelines of Reserve Bank of India.

The Policy on Know Your Customer Norms and Anti-Money Laundering Measures (“Policy”) is approved by the Board of Directors of Sungold Capital Limited in compliance with the Master Directions **RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16** issued by Reserve Bank of India (RBI) on KYC issued on May 04, 2023 (as amended from time to time) (“Master Directions”).

The amended version of the policy has been approved by the Board of Directors at its meeting held on 29th May, 2023. The Policy will fall due for yearly review.

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. 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 endeavors to frame a proper policy framework on ‘Know Your Customer’ (KYC) and Anti- Money Laundering measures; The Company ensures that the information collected from the customer for any purpose would be kept as confidential and not divulge 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 inconformity with the guidelines issued in this regard.

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 organization. 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:

a. “**Act**” and “**Rules**” means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto.

b. “**Authentication**”, in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.

c. “**Certified Copy**” - Obtaining a certified copy by the RE shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid document so produced by the customer with the original and recording the same on the copy by the authorized officer of the RE as per the provisions contained in the Act.

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Provided that in case of Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs), as defined in Foreign Exchange Management (Deposit) Regulations, 2016 {FEMA 5(R)}, alternatively, the original certified copy, certified by any one of the following, may be obtained:

- authorised officials of overseas branches of Scheduled Commercial Banks registered in India,
- branches of overseas banks with whom Indian banks have relationships,
- Notary Public abroad,
- Court Magistrate,
- Judge,
- Indian Embassy/Consulate General in the country where the non-resident customer resides.

d. **“Central KYC Records Registry”** (CKYCR) means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

e. **“Designated Director”** means a person designated by the RE to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include:

- i. the Managing Director or a whole-time Director, duly authorized by the Board of Directors, if the RE is a company,
- ii. the Managing Partner, if the RE is a partnership firm,
- iii. the Proprietor, if the RE is a proprietorship concern,
- iv. the Managing Trustee, if the RE is a trust,
- v. a person or individual, as the case may be, who controls and manages the affairs of the RE, if the RE is an unincorporated association or a body of individuals, and
- vi. a person who holds the position of senior management or equivalent designated as a 'Designated Director' in respect of Cooperative Banks and Regional Rural Banks.

Explanation - For the purpose of this clause, the terms "Managing Director" and "Whole-time Director" shall have the meaning assigned to them in the Companies Act, 2013.

f. **“Digital KYC”** means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the RE as per the provisions contained in the Act.

g. **“Equivalent e-document”** means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.

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

i. **“Officially Valid Document” (OVD)** means the passport, the driving licence, proof of possession of Aadhaar number, 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 and letter issued by the National Population Register containing details of name and address.

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Provided that,

- where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.
- where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVDs for the limited purpose of proof of address:-
 - 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;
 - 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 Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation;
- the customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'b' above where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

Explanation: For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.

j. **“Person”** has the same meaning assigned in the Act and 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 (a to e), and
- any agency, office or branch owned or controlled by any of the above persons (a to f).

k. **“Politically Exposed Persons”** (PEPs) are individuals who are or have been entrusted with prominent public functions by a foreign country, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials.

l. **“Principal Officer”** means an officer nominated by the RE, responsible for furnishing information as per rule 8 of the Rules.

m. **“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:

- 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
- appears to be made in circumstances of unusual or unjustified complexity; or

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- appears to not have economic rationale or *bona-fide* purpose; or
- gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

Explanation: Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.

n. **“Customer”** means a person who is engaged in a financial transaction or activity with a Regulated Entity (RE) and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

For the purpose of KYC Guidelines, a **“customer”** is defined as:

- A person or entity that maintains an account and/or has a business relationship with the Company including customers associated with the selling/marketing of permitted insurance business of the NBFC.
- One on whose behalf the account is maintained (i.e. the beneficial owner);
- Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Company Secretaries, Chartered Accountants, Solicitors etc. as permitted under the law, and
- 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.

o. **“Walk-in Customer”** means a person who does not have an account-based relationship with the RE, but undertakes transactions with the RE.

p. **“Customer Due Diligence (CDD)”** means identifying and verifying the customer and the beneficial owner.

q. **“Customer identification”** means undertaking the process of CDD.

r. **“FATCA”** means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.

s. **“KYC Templates”** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.

t. **“Non-face-to-face customers”** means customers who open accounts without visiting the branch/offices of the REs or meeting the officials of REs.

u. **“On-going Due Diligence”** means regular monitoring of transactions in accounts to ensure that they are consistent with the customers’ profile and source of funds.

v. **“Periodic Updation”** means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the Reserve Bank.

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w. “**Regulated Entities**” (REs) means

- all Scheduled Commercial Banks (SCBs)/ Regional Rural Banks (RRBs)/ Local Area Banks (LABs)/ All Primary (Urban) Co-operative Banks (UCBs) /State and Central Co-operative Banks (StCBs / CCBs) and any other entity which has been licenced under Section 22 of Banking Regulation Act, 1949, which as a group shall be referred as ‘banks’
- All India Financial Institutions (AIFIs)
- All Non-Banking Finance Companies (NBFCs), Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non-Banking Companies (RNBCs)
- All Payment System Providers (PSPs)/ System Participants (SPs) and Prepaid Payment Instrument Issuers (PPI Issuers)
- All authorised persons (APs) including those who are agents of Money Transfer Service Scheme (MTSS), regulated by the Regulator.

x. “**Video based Customer Identification Process (V-CIP)**”: an alternate method of customer identification with facial recognition and customer due diligence by an authorised official of the RE by undertaking seamless, secure, live, informed consent based audio-visual interaction with the customer to obtain identification information required for CDD purpose, and to ascertain the veracity of the information furnished by the customer through independent verification and maintaining audit trail of the process. Such processes complying with prescribed standards and procedures shall be treated on par with face-to-face CIP for the purpose of this Master Direction.

3. OBJECTIVE:

Objective of RBI guidelines is to prevent NBFCs being used, intentionally or unintentionally by criminal elements for money laundering activities. The guidelines also mandates making reasonable efforts to determine the true identity and beneficial ownership of accounts, source of funds, the nature of customer’s business, reasonableness of operations in the account in relation to the customer’s business, etc. which in turn helps the Company to manage its risks prudently. Accordingly, the main objective of this policy is to enable the Company to have positive identification of its customers.

This Policy requires the Company and each Employee to:

- Protect the Company from being used for money laundering or funding terrorist activities;
- Comply with the letter and the spirit of applicable AML/CTF Laws, and the Company’s AML Program and procedures;
- Be alert to and escalate suspicious activity; and
- Cooperate with AML-related law enforcement and regulatory agencies to the extent permitted under applicable laws.

4. KEY ELEMENTS OF POLICY

The Company is hereunder framing its KYC & AML Policy incorporating the following four key elements:

- a. Customer Acceptance Policy (CAP)
- b. Risk management
- c. Customer Identification Procedures (CIP)
- d. Monitoring of Transactions

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5. CUSTOMER ACCEPTANCE POLICY:

The Company shall follow the following norms while accepting and dealing with its customers:

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

II. The Company shall carry out full scale customer due diligence (CDD) before opening an account. When the true identity of the applicant is not known or the Company is unable to apply appropriate CDD measures, no transaction or account based relationship will be undertaken with such person / entity.

III. 'Optional'/additional information, is obtained with the explicit consent of the customer after the account is opened.

IV. The Company shall apply CDD measures at the Unique Customer Identification Code (UCIC) level. Thus, if an existing KYC compliant customer of a RE desires to open another account with the same RE, there shall be no need for a fresh CDD exercise.

V. CDD Procedure is followed for all the joint account holders, while opening a joint account.

VI. Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.

VII. Parameters of risk perception are clearly defined in terms of the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status etc. to enable categorization of customers into low, medium and high risk.

VIII. The customer profile contains mandatory information to be sought for KYC purpose relating to customer's identity, address, 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. However, while preparing customer profile the Company will seek only such information from the customer which is relevant to the risk category and is not intrusive. The customer profile will be a confidential document and details contained therein will not be divulged for cross selling or any other purpose. The Company shall maintain secrecy regarding customer information except where the disclosure is under compulsion of law, there is a duty to the public to disclose, the disclosure is made with express or implied consent of the customer.

IX. The Company shall ensure that the identity of the customer does not match with any person or entity whose name appears in the sanction lists circulated/prescribed by RBI from time to time.

X. The intent of the Policy is not to result in denial of financial services to general public, especially to those, who are financially or socially disadvantaged. While carrying out due diligence, the Company will ensure that the procedure adopted does not result in denial of services to any genuine customers.

XI. When the true identity of the account holder is not known, the Company shall file Suspicious Transaction Reporting (STR) as provided below.

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6. CUSTOMER IDENTIFICATION PROCEDURE:

I. The Company shall undertake identification of customers before commencement of an account based relationship. 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/ anonymous/ benami person. The Company shall obtain sufficient information necessary to establish, to its satisfaction, the identity of each customer and the purpose of the intended nature of business relationship.

II. An effective Customer Identification Program (“CIP”) is an important part of the effort by the Company to know its customers. The Company’s CIP is integrated into the AML (Anti Money Laundering) program for the company in terms of the Prevention of Money Laundering Act, 2002 and the relevant rules notified there under (PMLA), which contains provisions requiring the business processes to:

- Verify the identity of any Person transacting with the Company to the extent reasonable and practicable
- Maintain records of the information used to verify a customer’s identity, including name, address and other identifying information and
- Consult sanctions lists/ FATF statements of known or suspected terrorists: The Company shall ensure that, in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, the Company does not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC) and whose names appears in the sanctions lists circulated by Reserve Bank of India.

The Company may ensure the aforesaid, verifying the name of person or entity through the website of the concerned entity or through the service provider, who provide the said service of third party verification, in compliance applicable provisions/guideline of Reserve Bank of India, the Prevention of Money Laundering Act and rules made thereunder in this regard.

The Company will perform appropriate, specific and where necessary, Enhanced Due Diligence on its customers that is reasonably designed to know and verify the true identity of its customers and to detect and report instances of criminal activity, including money laundering or terrorist financing. The procedures, documentation, types of information obtained and levels of KYC due diligence to be performed will be based on the level of risk associated with the relationship (products, services, business processes, geographic locations) between the Company and the customer and the risk profile of the customer.

III. The Company shall undertake identification of customers in the following cases:

- a. Commencement of an account-based relationship with the customer.
- b. When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- c. Selling third party products as agent.

IV. The Company shall take reasonable measures to ascertain and verify the true identity of all customers who transact with the Company. Each business process shall design and implement specific due diligence standards and procedures that are appropriate given the nature of the respective businesses, customers and the associated risks.

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V. IDENTIFICATION: All the customers shall be identified by a unique identification code to identify customers, track the facilities availed, monitor financial transactions in a holistic manner and to have a better approach to risk profiling of customers.

Each business process shall implement procedures to obtain from each Customer, prior to transacting, the following information as may be relevant, to that business:

- a) **Name** : procedures require business processes to use reasonable efforts to ensure that the name recorded on the Company systems as the customer will be exactly the same as (and not merely similar to, or a variation of) the name that appears on any identifying documentation reviewed in connection with the loan;
- b) **For individuals - age / date of birth**; For a person other than individual (such as corporation, partnership or trust) - date of incorporation;
- c) **Address including the documentary proof thereof:**
 - i. For an individual, a residential or business street address;
 - ii. For a Person other than an individual (such as a corporation, partnership, or trust), the principal place of business, local office, or other physical location;
- d) **Telephone/Fax number/E-mail ID**;
- e) **Identification number:**
 - i) A taxpayer identification number; passport number and country of issuance; proof of possession of Aadhaar number; alien identification card number; or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard or the unique number or code assigned by the Central KYC Records Registry. When opening an account for a person (other than an individual) that does not have an identification number, the business process must request alternative government issued documentation certifying the existence of the business or enterprise;

Where a customer submits proof of possession of Aadhaar number, the Company shall ensure that such customer redacts or blackout his Aadhaar number before submitting the same to the Company. The submission of Aadhaar is mandatory only when the customer is desirous of receiving any benefit or subsidy under any scheme notified under Section 7 of the Aadhaar Act or as per the Notification, Circular, Guidelines, as may be issued by RBI read with Directions/Guidelines, issued UIDAI from time to time, otherwise Aadhaar is not mandatory and the Company not to insist for the same.

However, the individual, if so desires, may provide the same out of volition. The customer, at their option, shall submit one of the OVDs.

ii) For a customer who has applied for, but has not received an identification number, loan may be sanctioned, but each business process shall implement procedures to confirm that the application was filed before the loan is sanctioned to customer and to obtain the identification number within a reasonable period of time before disbursement of loan.

f) **One recent photograph of the individual customer.** Fresh photographs will be obtained from minor customer on becoming major. These are appropriately covered in the credit policies of the respective businesses and communicated to the credit approving authorities.

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Provisions under PMLA

As per the provisions of Rule 9 of the Prevention of Money Laundering (Maintenance of Records of the Nature and Value of Transactions, The Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (hereinafter referred to as PML Rules), the Company shall:

- At the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship and
- In all other cases, verify identify while carrying out:
 - ✓ Transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected,
 - ✓ Any international money transfer operations.

In terms of proviso to rule 9 of the PML Rules, the relaxation, in verifying the identity of the client within a reasonable time after opening the account / execution of the transaction, stands withdrawn.

Abiding by the provisions of Rule 9, the Company shall identify the beneficial owner and take all reasonable steps to verify his identity. The said Rule also require that the Company should exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions to ensure that they are consistent with their knowledge of the customer, his business and risk profile.

7. CUSTOMER DUE DILIGENCE (CDD)/ VERIFICATION:

Each business process as a part of the credit policy will document and implement appropriate risk-based procedures designed to verify that it can form a reasonable belief that it knows the true identity of its customers. Verification of customer identity should occur before transacting with the customer.

Procedures for each business process shall describe acceptable methods of verification of customer identity, which may include verification through documents or non-documentary verification methods that are appropriate given the nature of the business process, the products and services provided and the associated risks.

I. Verification through Officially Valid Documents:

Comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or Officially Valid Document so produced by the customer with the original and recording the same on the copy by the authorised officer of the Company.

These documents may include, but are not limited to the list of documents that can be accepted as proof of identity and address from customers across various products offered by the Company. These are appropriately covered in the credit policies of the respective businesses. The customer verification processes will be covered in detail in the credit policies of every business.

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II. Verification through Non-Documentary Methods:

These methods may include, but are not limited to:

- i. Contacting or visiting a customer;
- ii. Independently verifying the customer's identity through the comparison of information provided by the customer with information obtained from a consumer reporting agency, public database, or other source;
- iii. Checking references with other financial institutions; or
- iv. Obtaining a financial statement.

III. Offline Verification:

The Company may carry out offline verification of a customer under the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016, Directions/Guidelines issued by the Unique Identification Authority of India (hereinafter referred as Aadhaar Regulations) if the customer is desirous of undergoing Aadhaar offline verification for identification purpose.

Offline Verification can be done by following two ways:

Option 1: Using the Quick Response (QR) codes: Seek the Aadhaar QR code from the customers. The same has to be download and printed by the customer and submitted to the company who shall read it using a QR code reader. Scanning of QR code, from the QR code reader will provide the name, address and photograph of the customer, without providing the Aadhaar number.

Option 2: Using paperless local e-KYC: The paperless local e-KYC involves generation of a digitally signed XML which can be stored in a laptop or phone and be communicated by the customer to the company, as and when required. Companies can receive the Aadhaar Paperless Offline e-KYC XML from the customers. The XML file provides the name, address and photograph of the customer, without providing the Aadhaar number.

No such offline verification will be performed without obtaining the written consent of the customer in the manner prescribed in the Notification, Circular and Guideline issued by RBI read with Aadhaar Regulations.

Except in accordance with the Notification, Circular, Guidelines issued by RBI read with Aadhaar Regulations, the Company shall not collect, use or store an Aadhaar number of its customer for any purpose.

IV. Verification of equivalent e-document:

Where the customer submits an equivalent e-document of any Officially Valid Document (OVD), issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer, the Company shall verify the digital signature as per the provisions of the Information Technology Act, 2000 and take live photo of the customer as specified under digital KYC in RBI regulations.

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V. Verification based on Digital KYC:

SGCL can undertake the Digital KYC process for CDD in which live photo of the customer will be captured and officially valid document or the proof of possession of Aadhaar to be taken, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the SGCL, as per the provisions contained in the Prevention of Money Laundering Act, 2002 and the rules made thereunder read with RBI Directions.

VI. Video based customer identification process (V-CIP):

A method of customer identification by an official of SGCL by undertaking seamless, secure, real-time, consent based audio-visual interaction with the customer to obtain identification information including the documents required for CDD purpose, and to ascertain the veracity of the information furnished by the customer. Such process shall be treated as face-to-face process.

The Company may undertake live V-CIP for establishment of an account based relationship with an individual customer after obtaining his informed consent and adhering to the procedures prescribed in RBI regulations. This process shall be treated as face to face process for the purpose of customer identification.

In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than 3 days from the date of carrying out V-CIP.

The Company to comply the applicable provisions of RBI Master Direction- Know Your Customer (KYC) Directions, 2016 w.r.t. V-CIP.

The entire data and recordings of V-CIP shall be stored in a system / systems located in India. SGCL shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp that affords easy historical data search. The extant instructions on record management, as stipulated in the RBI Master Direction on KYC, shall also be applicable for V-CIP. The activity log along with the credentials of the official performing the V-CIP shall be preserved.

VII. Accounts Opening through OTP based e-KYC:

SGCL may provide an option for One Time Pin (OTP) based e-KYC process for onboarding of customers. Accounts opened in terms of this proviso i.e., using OTP based e-KYC, are subject to the following conditions:

- a. There must be a specific consent from the customer for authentication through OTP
- b. Only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year
- c. Account, opened using OTP based e-KYC shall not be allowed for more than one year unless identification as per Section 16 or as per Section 18 (V-CIP) is carried out. If Aadhaar details are used under Section 18, the process shall be followed in its entirety including fresh Aadhaar OTP authentication.

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- d. If the CDD procedure as mentioned above is not completed within a year, in respect of borrowal accounts no further debits shall be allowed.
- e. A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in non-face-to face mode with any other Regulated Entity (RE). Further, while uploading KYC information to CKYCR, REs shall clearly indicate that such accounts are opened using OTP based e-KYC and other REs shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to face mode.
- f. SGCL shall have strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above mentioned conditions.

SGCL may apply for getting licence of KYC User Agency (KUA) or Sub KUA to e-KYC Authentication as per the applicable Notification, Circular and Guidelines issued by RBI, UIDAI and other Regulatory or Statutory Authority for the doing the CDD by way authentication of Aadhaar, as may be permitted by RBI.

8. COMBATING FINANCING OF TERRORISM:

In order to ensure that criminals are not allowed misusing the banking/financial channels, SGCL will put up adequate screening mechanism not only in respect of customers and vendors but also in matters of recruitment and hiring of personnel.

Towards the purpose, SGCL will refer the list of individuals and entities circulated by RBI, approved by Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs), as and when received from Government of India.

SGCL would ensure to update the consolidated list of individuals and entities as circulated by RBI and before opening any new account would ensure that the name/s of the proposed customer does not appear in the list.

Further, SGCL would scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list would immediately be intimated to RBI and FIU-IND by the Principal Officer of SGCL.

Money Laundering and Terrorist Financing Risk Assessment

- SGCL will carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise 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 will 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, SGCL will take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share from time to time.
- The risk assessment will be proportionate to SGCL's nature, size, geographical presence, complexity of activities/structure, etc. It will be properly documented. Further, the periodicity of risk assessment exercise shall be determined in alignment with the outcome of the risk assessment exercise. It will be reviewed annually.

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- The outcome of the exercise will be put up to the Board or any committee of the Board to which power in this regard has been delegated, and will be available to competent authorities and self regulating bodies

9. RESOLUTION OF DISCREPANCIES:

Each business process shall document and implement procedures to resolve information discrepancies and to decline or cease to do business with a customer when it cannot form a reasonable belief that it knows the true identity of such customer or cannot adequately complete necessary due diligence. These procedures should include identification of responsible decision makers and escalation paths and detailed standards relating to what actions will be taken if a customer's identity cannot be adequately verified.

10. REPORTING:

The business shall have a system of internal reporting of suspicious transactions, counterfeit transactions and cash transactions greater than Rs.10 lakhs, whether such transactions comprise of a single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within a month.

“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 bona fide purpose; or
- d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.
- e) Where the transactions are abandoned by customers on being asked to give some details or to provide documents.

Branch Sales Manager/Branch Credit Manager/ Branch In-charge to give the required details of Cash Transactions [Rs.10 lakhs and above or its equivalent in foreign currency in one transaction or series of related transaction in any account(s)] and Suspicious Transaction(s), to the Company Secretary & Compliance Officer of the Company, promptly upon detecting the same and the Company Secretary & Compliance Officer, to report the said Transaction(s) to FIU-India, as per the PMLA Act and the rules made thereunder.

The Company to place the details of Cash Transactions and Suspicious, as above before the Audit Committee/Board of Director, on periodically basis, as per the applicable provisions of Act and the Rules and the Board of Directors to ensure the compliance of the same.

Further, the Principal officer shall furnish information of the above mentioned transactions to the Director, Financial Intelligence Unit – India (FIU-IND) at the prescribed address in the formats prescribed in this regard including the electronic filing of reports.

Provided that where the Principal officer, has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued greater than Rs.10 lakhs so as to defeat the provisions of the PMLA regulations, such officer shall furnish information in respect of such transactions to the Director within the prescribed time.

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The Company shall not put any restriction on operations in the accounts where a suspicious transaction report (STR) has been filed. The Company shall keep the fact of furnishing of STR strictly confidential and shall ensure that there is no tipping off to the customer at any level.

The Company shall pay special attention to all complex, high-risk, unusually large transactions and all unusual or suspicious patterns which have no apparent economic or visible lawful purpose.

The Company may prescribe threshold limits for a particular category of accounts and pay close attention to the transactions that exceed the prescribed threshold limits. Keeping this in view, the Company shall pay particular attention to the cash transactions which exceed the limits of Rs. 10 lakhs, either per transaction or credit and debit summation in a single month. This would include transaction where the customer by way repayment of loan, whether in part or full, deposit Rs. 10 lakhs and above in cash. Such transactions shall be reported to the Risk Department and the Principal Officer appointed as per this policy. In such cases, the Company shall keep a close and careful watch on the subsequent mode of payments adopted by such customer.

Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer shall attract special attention of the Company. Very high account turnover inconsistent with the size of the balance maintained may indicate that funds are being 'washed' through that account. Company shall ensure that proper record of all transactions and cash transactions (deposits and withdrawals) of Rs.10 lakhs and above in the accounts is preserved and maintained as required under the PMLA.

The Company shall upload the KYC information pertaining to individuals / legal entities, as applicable from time to time, with Central KYC Records Registry (CKYCR) within 10 days of commencement of account based relationship with the customer, in terms of provisions of the RBI Directions read with Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

11. RECORDS RETENTION:

The Company shall introduce a system of maintaining proper record of the following transactions:

- All cash transactions of the value of more than rupees Ten lakhs to its equivalent in foreign currency;
- All series of cash transactions integrally connected to each other which have been valued below rupees Ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees Ten lakhs;
- All transactions involving receipts by non-profit organizations of rupees ten lakhs or its equivalent in foreign currency;
- All suspicious transactions, where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of valuable security or a document has taken place facilitating the transactions;
- All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

The Company shall ensure that it continues to maintain proper record of all cash transactions (deposits and withdrawals) of Rs. 10 lakhs and above. The internal monitoring system shall have an inbuilt procedure for reporting of such transactions and those of suspicious nature whether made in cash or otherwise, to controlling / head office on a fortnightly basis.

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The records shall be preserved in the following manner:

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

The information in respect of the transactions referred to in clauses I, II and III referred above will be submitted to the Director - FIU every month by the 15th day of the succeeding month. The required information will be furnished by the Company directly to the FIU-IND, through the designated Principal Officer.

The information in respect of the transactions referred to in clause IV referred above will be furnished promptly to the Director - FIU in writing, or by fax or by electronic mail not later than seven working days from the date of occurrence of such transaction.

The information in respect of the transactions referred to in clause V referred above will be furnished promptly by the Director - FIU in writing, or by fax or by electronic mail not later than seven working days on being satisfied that transaction is suspicious.

Strict confidentiality will be maintained by the Company and its employees of the fact of furnishing / reporting details of such suspicious transactions.

As advised by the FIU-IND, New Delhi; the Company will not be required to submit 'NIL' reports in case there are no Cash / Suspicious Transactions, during a particular period.

As per the provisions of PMLA, the Company shall maintain records as under:

- a) Records of all transactions referred to in clause (a) of Sub-section (1) of section 12 read with Rule 3 of the PML Rules [referred to in Para 5. Supra] are required to be maintained for a period of ten years from the date of transactions between the Clients and the Company.
- b) Records of the identity of all clients of the Company are required to be maintained for a period of ten years from the date of cessation of transactions between the Clients and the Company.

The Company will ensure that the appropriate steps are taken to evolve a system for proper maintenance and preservation of information in a manner (in hard and soft copy) that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities.

12. EXISTING CUSTOMERS:

Although this KYC Policy will apply and govern all the new and prospective customers; some of the KYC procedures laid down in this policy particularly which deal with Customer Identification, Monitoring of Transactions and Risk Management can be effectively applied to the existing customers and their loan accounts. While applying such KYC procedures to the existing loan accounts if any unusual pattern is noticed, the same should be brought to the notice of the Department Heads concerned and the Principal Officer appointed by the Company as per RBI directives.

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In case any existing customer does not co-operate in providing the information required as per KYC policy or conducts himself in such manner which gives rise to suspicion about his identity or credentials, such matters will be brought to the notice of Principal Officer who in turn will make necessary inquiries and if required shall forward the name of such customers to the authorities concerned for appropriate action. Besides above, in such situation the Company, for reasons to be recorded, may recall the loan granted to such customers and take recourse to legal remedy against the customers as well as security furnished by such customers.

13. RISK CATEGORIZATION:

The Company shall put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures in case of higher risk perception on a customer. Such review of risk categorization of customers will be carried out from time to time.

The Company shall have a system in place for periodical updation of customer identification data after the account is opened. Full KYC exercise will be done at a periodicity not less than once in ten years in case of low risk category customers, not less than once in eight years in case of medium risk category customers and not less than once in two years in case of high risk category customers.

There will be level-wise categorization of customers i.e. Level-I, Level-II and Level-III. Such levels will be decided based on risk element involved in each case which will be determined by considering the following information submitted by the customer:

- Nature of business of the Customer and of his Clients
- Work place of Customers and of his Clients
- Country of Origin
- Source of funds
- Volume of business six-monthly / annual turn-over
- Social/Legal and financial status
- Quantum and tenure of facility applied for and proposed schedule for repayment of loan

Low risk category customers need not submit fresh proofs of identity and address at the time of periodic updation, in case of no change in status with respect to their identities and addresses and 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 can forward a certified copy of proof of address by mail/post, etc.

In case any existing customer fails to submit PAN or equivalent e-document or Form No.60, the Company may temporarily cease operations in the account till the time the same is submitted by the customer. For the purpose of ceasing the operation in the account, only credits shall be allowed.

However, the for customer who are unable to provide PAN or equivalent e-document or Form No.60 owing to injury, illness or infirmity on account of old age or such like causes, the Company will continue operation of accounts for such customers subject to enhanced monitoring of the accounts.

All the customers under different product categories are categorized into low, medium and high risk based on their profile. The Credit manager while appraising the transaction and rendering his approval will prepare the profile of the customer based on risk categorization.

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Each business process adopts the risk categorization in their respective credit policies subject to confirmation by compliance based on the credit appraisal, customer's background, nature and location of business activity, country of origin, sources of funds, client profile, etc., Where businesses believe that a particular customer falling under a category mentioned below is in his judgement falling in a different category, he may categorise the customer so, so long as appropriate justification is provided in the customer file.

14. MONITORING OF TRANSACTIONS:

Ongoing monitoring is an essential element of effective KYC procedures. The Company can effectively control and reduce the risk only if it has 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. The different business divisions should pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible legitimate purpose. High-risk accounts have to be subjected to intensified monitoring.

15. RISK MANAGEMENT:

I. For effective implementation of KYC policy there will be a proper co-ordination, communication and understanding amongst all the departments of the Company. The Board of Directors shall ensure that an effective KYC program is put in place by establishing proper procedures and ensuring their effective implementation. Heads of all the Departments will ensure that the respective responsibilities in relation to KYC policy are properly understood, given proper attention and appreciated and discharged with utmost care and attention by all the employees of the Company.

II. The Risk department of the Company will carry out quarterly checks to find out as to whether all features of KYC policy are being followed and adhered to by all the Departments concerned. The Risk Department shall sign off on the KYC documents for corporate entities, before every disbursement. The Company shall also mandatorily include KYC adherence in its internal audit scope every quarter. For co-lending partners, the Company shall carry out sample quarterly KYC sample audit by independent audit firms to assess adherence with the KYC norms.

III. Company will take steps to ensure that its internal auditors are made well versed with this policy that will carry out regular checks about the compliance of KYC procedures by all the branches of the Company. Any lapse or short coming observed by the internal auditors will be brought to the notice of Department Heads concerned. There will be quarterly assessment to check the compliance level by a committee to be constituted by the Board.

16. HIRING OF EMPLOYEE AND EMPLOYEE TRAINING:

SGCL will put in place adequate screening mechanism as an integral part of their personnel recruitment/hiring process. SGCL will have an on-going employee training programme so that the members of staff are adequately trained in KYC/AML policy. The focus of the training will be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in KYC/AML policies of SGCL, regulation and related issues will be ensured.

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17. APPOINTMENT OF DESIGNATED DIRECTOR / PRINCIPAL OFFICER:

To ensure effective implementation of this KYC Policy and a proper co-ordination and communication between the Company and RBI and other enforcement agencies, the Company shall designate a senior official Principal Officer who will operate from the corporate office of the Company. The job of the Principal Officer will be to maintain an effective communication and liaison with RBI and other enforcement agencies which are involved in the fight against money laundering and combating financing of terrorism, and to take appropriate steps in all such matters which are brought to the notice of the Principal Officer by any department of the Company regard to any suspicious acts or omissions or acts of noncompliance on the part of any customers.

The name of the Principal Officer so designated, his designation and address including changes from time to time, may please be advised to the Director, FIU-IND.

18. REPORTING TO FINANCIAL INTELLIGENCE UNIT - INDIA

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, Chanakyapuri,
New Delhi - 110021

Where the Principal Officer has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued below the prescribed value to so to defeat the provisions of PMLA rules, such officer shall furnish information in respect of such transactions to the Director, FIU-IND, within the prescribed time. A copy of all information furnished shall be retained by the Principal Officer for the purposes of official record.

19. OTHER REQUIREMENTS:

The Company shall ensure that the provisions of PMLA and the Rules framed thereunder and the Foreign Contribution and Regulation Act, 1976, wherever applicable, are adhered to strictly. Where the Company is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, the Company may consider closing the account or terminating the business relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decisions need to be taken at a reasonably senior level.

All other requirements under FATCA/CRS/PML/FIU-IND relating to appointment of designated officer/ director, principal officer and reporting requirements relating to filing of suspicious Transaction Report (STR), Cash Transaction Report (CTR), counterfeit currency report (CCR) and other applicable reports filing under FATCA will be complied with in terms of the direction of the RBI or the other authorities to the extent applicable.