

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

Version 5.1

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## 1 Background

The Board of Directors (“Board”) of Aye Finance Private Limited (“Company” or “Aye”), has adopted the following policy encompassing ‘Know Your Customer’ norms and Anti-money Laundering standards as required by Reserve Bank of India vide Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 (Updated as on May 10, 2021) and amendments thereon.

## 2 Objective

The objective of the Policy is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities. The policy lays down systems and procedures to help the company to manage its risks prudently by understanding customers and their financial dealings. The company has framed this policy incorporating the following four key elements:

- (i) Customer Acceptance Policy
- (ii) Customer Identification Procedures
- (iii) Money Laundering - Risk management
- (iv) Monitoring of Transactions

## 3 Definitions

- “Board” means Board of Directors of Aye Finance Pvt. Ltd.
- “Company” means Aye Finance Pvt. Ltd.
- “Directors” mean Directors on the Board of Aye Finance Pvt. Ltd.
- “Policy” means KYC/AML Policy
- “PMLA” means Prevention of Money Laundering Act, 2002
- “FIU-IND” means Financial Intelligence Unit - India
- “STR” means Suspicious Transactions Report
- “CTR” means Cash Transaction Report
- “CCR” means Counterfeit Currency Report
- “CDD” means Customer Due Diligence
- “Customer” means 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
- “Beneficial Owner” means
  - a. In case 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 an ownership of more than 25% of the shares or capital or profits of the company or who exercise control through other means.
  - 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% of capital or profits of the partnership.

## 4 Customer Acceptance Policy (CAP)

Customer Acceptance Policy of the Company shall be as follows:

- a) No account shall be opened in anonymous or fictitious or Benami name(s)
- b) No transaction or account-based relationship is undertaken without following the CDD procedure
- c) No account is opened where appropriate customer due diligence measures could not be undertaken, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer

- d) The Company shall ensure that the identity of the customer does not match with any person or entity, whose name appears in the Sanctions List circulated by RBI (Refer [Annexure 3](#)) by a system de-dupe for all applicants and co-applicants against the list.
- e) The Company may ask for closure of loan facility from customers and shall not provide a further facility where it is unable to receive appropriate information commensurate to the perceived ML risk, in line with its internal loan origination policies and the requirements of PMLA Act, 2002 and guidelines issued by RBI from time to time.
- f) Each account/loan on being setup, shall be assigned a risk category to reflect the ML risk arising from the relationship.

## 5 Customer Identification Procedure (CIP)

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. Company's CIP shall include:

- a. Verification of the identity of any Person or Entity transacting with the Company to the extent reasonable and practicable.
- b. Record maintenance of the information used to verify a customer's identity, including name, address, and other identifying information.

List of such information/documents is provided in [Annexure 1](#).

### Periodic updation on Identity Documents for existing customers:

For existing customers, their identity documents (KYC documents) shall be updated and authenticated periodically (complying with the requirements of PMLA Act, 2002 and guidelines issued by RBI from time to time).

- 'Low' risk: Once in 10 years
- 'Medium' risk: Once in 8 years
- 'High' Risk: Once in 2 years

Repeat loans where there is no addition or deletion of any applicants and co-applicants and guarantor will be treated as a continuation of the earlier loan for the purpose of KYC validation and the above periodicity for updation of KYC documents will apply. Otherwise, the repeat loan shall be subjected to KYC procedures as applicable to a new account.

### 5.1 Unique Customer Identification Code (UCIC)

The Company shall allot Unique Customer Identification Code (UCIC) to all their customers while entering any new relationships.

1. Every applicant/co-applicant will be allotted a UCIC at the time of their profile creation for the first time.
2. Our system runs a de-dupe for all applicants and co-applicants against all existing applicants and co-applicants in our system based on various parameters such as Name, DOB, Address, Aadhaar, PAN, Voter's ID, Mobile no. etc. to prevent re-entry of the same applicant/co-applicant with new profile information.
3. In case of a repeat loan to the same applicant, while the Loan ID (referred to as Prospect Code within Aye) will change, the customer ID of the applicant will stay the same.

### 5.2 CKYC registry

CERSAI maintains a central online KYC register of every borrower in the country. The Company shall update the KYC information on the CKYCR for all applicants/co-applicants of all loans disbursed. The same shall be updated on the CKYC portal within 10 days from the date of disbursement.

## 6 Risk Management

For Risk Management, the Company shall categorize customers as Low, Medium and High risk. This categorization will be based on customer's identity, social/financial status, nature of business activity, and information about the customer's business and their location etc. The Company lends to micro and small enterprise owners which are entities of modest means and lie at the bottom of the economic pyramid. Majority of the business for these tiny non-formal sector enterprises is conducted in cash. From the perspective of money laundering and terrorist financing, these entities would normally fall in the category of 'Low Risk' due to the small aggregate of annual transactions for any entity.

## 7 Monitoring of Transactions

Ongoing monitoring is an essential element of effective KYC procedures. The Company has put in place mechanisms for identifying transactions that fall outside the regular pattern of activity. Monitoring focuses on unusually large transactions, transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer, third-party cheque transactions etc.

Threshold limits have been prescribed for various categories of accounts and transactions that exceed these limits trigger a review. After review, the Company applies enhanced due diligence measures, wherever required.

The Company shall review risk categorization on a quarterly basis. The details of risk categorization review and STR reporting are mentioned in [Annexure 2](#).

## 8 Record Management

To maintain, preserve and report the customer account information, with reference to the provisions of PML Act and Rules, the Company shall:

- a) Preserve the records pertaining to the identification of the customers and their addresses obtained while providing a loan facility for at least 5 years after the business relationship is ended. KYC Documents related to "Identified Transactions" mentioned below have to be retained for a longer period.
- b) Maintain all necessary records of transactions between the company and the customer for at least 5 years from the date of transaction. For "Identified Transactions" a longer retention period is required as detailed below.
- c) Make available the identification records either in hard or soft format and transaction data to the competent authorities upon request.

### **Records of transactions to be maintained:**

The Company shall maintain a record of transactions as prescribed in PMLA (hereinafter referred to as "Identified Transactions" for the purpose of this policy). The details are given below:

- i. All cash transactions of the value of more than Rs.10 lakhs or its equivalent in foreign currency.
- ii. All series of cash transactions integrally connected to each other which have been individually valued below Rs.10 lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds Rs.10 lakhs or its equivalent in foreign currency.
- 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.
- iv. All suspicious transactions, whether or not in cash.

**Information to be preserved:**

The information required to be preserved with respect to the Identified Transactions are the nature of transactions, amount, and the currency in which it was denominated, date of transaction and the parties to the transaction.

**Periodicity of retention:**

- The records of Identified transactions shall be retained for a minimum period of ten year
- The customer identification information and residence identification information including the documentary evidence thereof along with all other necessary records pertaining to the transactions that could be produced as evidence for prosecution of persons involved in criminal activity.

## 9 Employee Training

The Company on an ongoing basis educates the front desk staff, the branch staff and new joiners on the elements of KYC through various digital or face to face training programs, who in-turn educate the customers on the objectives of the KYC program.

## 10 Introduction of New Technologies

The company shall pay special attention to any money laundering threats that may arise from new or developing technologies. Appropriate KYC procedures shall be duly applied before introducing new products, services or technologies.

## 11 Principal Officer & Designated Director

Principal Officer & Designated Director are located at the head office of the company. Following are the company executives who have been appointed for these roles and responsibilities.

Role	Name	Designation	Responsibilities
<b>Designated Director</b>	Mr. Sanjay Sharma	MD & CEO	To ensure overall compliance with the obligations imposed under chapter IV of the PML Act 2002 and rules which include <ul style="list-style-type: none"> <li>• Ensuring maintenance of records.</li> <li>• Ensuring access to information required by the Director, FIU-IND</li> </ul>
<b>Principal Officer</b>	Mr. Samir Mehta	Dy CEO	Ensuring Compliance to <ul style="list-style-type: none"> <li>• Monitoring of Transactions.</li> <li>• Sharing and reporting information under regulatory guidelines on KYC/AML/CFT</li> </ul>

## 12 Reporting to Financial Intelligence Unit - India

Information with respect to Cash Transactions & Suspicious Transactions as required in terms of the RBI Directions, PMLA and the Rules made thereunder shall be furnished to the Director, FIU-IND, in the prescribed formats and within prescribed time frame, directly by the Principal Officer. [Annexure 4](#) contains the list of reports to be made to FIU by the Company.

## Annexure 1: Customer Identity Documents

### Individual

Each Loan Application needs to be accompanied by the following documents and these documents should be authenticated by an employee of the Company.

- (i) Physical documents should be authenticated by the Loan Advisor
- (ii) Documents digitally captured from the original by the Loan Advisor and stored in Customer Loan Origination System (CLOS) are deemed as authenticated by the Loan Advisor

List of valid KYC Docs	ID Proof	Address Proof
Voter ID	Y	Y
Passport	Y	Y
Driving License	Y	Y
Aadhaar card	Y	Y
Job card issued by NREGA duly signed by an officer of the State Government	Y	Y (if with address)
Letter issued by the National Population Register containing details of name and address	Y	Y (if with address)

Mandatory Documents
Permanent Account Number (PAN) or Form 60 (as applicable) is mandatory

List of address proof docs if current/business address is different from the documents listed above
Utility bill which is not more than two months old of any service provider
Property or Municipal tax receipt
Pension or family pension payment orders (PPOs) issued to retired

Note: If none of the above address proof is available, an exception can be made for female applicant/co-applicant. They may use address proof of their spouses with declaration of consent from the spouse, valid address proof of the spouse and a documentary proof of their marriage. This exception has to be approved by Credit Manager (CDT-3) or above.

### Non-Individual

- One Entity proof & any one Address proof to be taken for non-individual entity. All mentioned documents should be in the name of the firm, if not specified otherwise
- In case of partnership firm if all partners are not available for signing or not on loan structure the partnership authority letter to be taken.
- In case of private limited company, shareholding pattern to be taken, if available.
- For private limited / Limited company we need to collect MOA, AOA, Board resolution etc as a normal requirement

**a) Proprietorship firm:**

KYC Check to be done for the proprietor as well, similar to KYC required in Fresh process for Individual entity

Sr. No.	List of valid KYC Docs	Entity Proof	Address Proof
1	Registration certificate / licence issued by the municipal authorities under Shop and Establishment Act & other company's act	Y	Y
2	Sales and income tax returns or Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities.	Y	Y
3	CST/VAT/ GST certificate or Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.	Y	Y
4	Utility bills such as electricity, water, landline telephone bills.	N	Y

- Any two of the above-mentioned documents required for the firm. The document should be in the name of the firm.
- Utility bill which is not more than two months old of any service provider
- In cases if it is not possible to furnish two such documents, we may accept only one of those documents as proof of business/activity with the approval of any of the following- Deputy CEO/ CCO/MD

**b) Partnership Firm:**

Sr. No.	List of valid KYC Docs	Entity Proof	Address Proof
1	Registered Partnership deed	Y	Y (If it contains address of the firm)
2	Registration Certificate of Partnership	Y	Y
3	ITPAN (Partnership firm PAN)	Y	N
4	Documents relating to Beneficial Owner, which will be similar to Individual entity:- Aadhaar and PAN OR Aadhaar and Voter ID and Form60	Y	Y



c) Private Limited Company:

Sr. No.	List of valid KYC Docs	Entity Proof	Address Proof
1	Memorandum of Association duly signed by all the authorised signatories & firm deal/stamp – <u>Mandatory to be taken</u>	Y	N
2	Article of Association duly signed by all the authorised signatories & firm deal/stamp - <u>Mandatory to be taken</u>	Y	N
3	Permanent Account Number (PAN) of the company	Y	N
4	A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf	Y	N
5	Certificate of incorporation	Y	Y
6	Documents relating to Beneficial Owner, which will be similar to Individual entity: - Aadhaar and PAN OR Aadhaar and Voter ID and Form60	Y	Y

**Annexure 2: Review of risk categorisation and transaction monitoring**

Financial activities which are not consistent in scale or nature with the customer’s business should be monitored and appropriate actions to be taken.

The following alerts should trigger a review of the transactions and may lead to a change in risk categorization and/or reporting as suspicious transactions.

A review should be conducted every quarter as mentioned in the table below and outcome of the review will be reported to the Compliance team. In appropriate cases, Compliance may ask for enhanced due-diligence and will undertake necessary regulatory reporting.

<b>Alert Indicator</b>	<b>Indicative Rule/ Scenario</b>	<b>Actionable</b>
Large cash payment	Greater than INR 1 Lakh in a calendar month for a low risk customer where account is not closed	Upgrade risk to medium
	Greater than INR 1 Lakh in a calendar month for a low risk customer (<6MOB) and account is closed post receipt of cash amount	1. Report to Compliance Team 2. Compliance to ascertain if STR reporting has to be done
	Greater than INR 1 Lakh in a calendar month for a medium risk customer	1. Report to Compliance Team 2. Compliance to ascertain if STR reporting has to be done
	Greater than INR 10 Lakhs in a calendar month	1. Upgrade risk to High 2. Report to Compliance Team 3. Compliance to report to FIU-IND-CTR
Payment through Third party Cheque (excluding Balance Transfer)	Amount greater than INR 2 Lakhs for low risk customer	Upgrade risk to medium
	Amount greater than INR 2 Lakhs for medium risk customer	1. Report to Compliance Team 2. Compliance to ascertain if STR reporting has to be done
	Amount greater than INR 10 Lakhs	1. Upgrade risk to High 2. Report to Compliance Team 3. Compliance to report to FIU-IND-STR
Match with UN negative list	Match of customer details with individuals / entities on various UNSCR Lists	1. Upgrade risk to High 2. Exit the customer relationship 3. Compliance to report to FIU-IND
Counterfeit Currency	When counterfeit currency is detected and the customer is identified	1. Upgrade risk to Next level 2. Report to Compliance Team 3. Compliance to report to FIU-IND-CCR

**Note:**

1. The Compliance Team may ask for enhanced due diligence measures for cases reported to them and based on information and evidence provided to them, decide on future course of action including STR reporting, closure of relationship etc.
2. The risk category will be downgraded if there is no alert observed in observation period of 6 months from last upgrade.

Sometimes the behaviour of the customer may also trigger suspicion about the compliance with AML guidelines. Such occurrences should be investigated by the concerned Head of the Department and reported appropriately. Such behaviour includes but is not limited to:

- a. A customer who is reluctant to provide information needed for a mandatory report.
- b. Any individual or group that coerces/induces or attempts to coerce/induce the Company employee from not filing any compliance report or any other control forms.
- c. Wilful negligence / wilful blindness of an employee occurs repeatedly
- d. There are reasonable doubts over the real beneficiary of the loan
- e. An account where customer intentionally splits the transaction into several smaller amounts to avoid filing of compliance report.

During the normal onboarding process, the following customers should be rejected as per our Customer Acceptance Policy.

- i. Politically Exposed Persons (PEPs) of Indian/ Foreign Origin, customers with close connections with a political party
- ii. Speculative businesses (akin to gambling), on-lending/ghost lending, bullion, or jewellery
- iii. Entities funded through Trust, charities, NGO's, and Organization receiving donations
- iv. Non face to face customers

However, if such customers are identified after onboarding and disbursement has already been made, the categorisation will be changed to High and these cases should be reported to Compliance, Designated Director and Principal Officer to decide on continuity of account relationship.

### Annexure 3: Dedupe on UNSCR lists

#### **Unlawful Activities (Prevention) (UAPA)**

Company shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, it 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).

In addition to the above, other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time to time shall also be taken note of.

**Annexure 4: Reporting to Financial Intelligence Unit-India**

The reporting of STR, CTR & CCR information is required to be filled / submitted online on the FINnet Gateway Portal (<https://finnet.gov.in/>).



*FINnet Portal login screen*

- Detailed instructions relating to the reporting formats are given in the following attachment:



Reporting Format  
Guide 2.2