

KNOW YOUR CUSTOMER [KYC] & ANTI MONEY LAUNDEERING MEASURES

As part of the best corporate practices and in line with the amendment in the guidelines issued by the Reserve Bank of India, United Petro Finance Limited (UPFL) has prepared ***“Know Your Customer:” [KYC] & “Anti MoneyLaundering Measure”*** and same has been adopted by the Board of Directors of the Company at its meeting held on 04/09/2017.

As per RBI guidelines on KYC policy, United Petro Finance Limited (UPFL) is required to have its KYC policy for its lending / credit operations / financial dealings in line with extant guidelines framed therein. This KYC policy is framed keeping in mind the same. The policy has the following four key elements:

- a) Customer Acceptance Policy;
- b) Customer Identification Procedures;
- c) Monitoring of Transactions; and
- d) Risk management.

POLICY FUNDAMENTALS

Definition of customer:

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

- 1) “Customer” means a person who is engaged in a financial transaction or activity with a United Petro Finance Limited (Regulated Entity (RE)) and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

Customer Acceptance Policy (CAP)

The Customer Acceptance Policy will ensure the following aspects of customer relationship

- 1) No account is opened in anonymous or fictitious/benami name(s);
- 2) Risk in terms of the location of customer and his clients and mode of payments are duly checked;
- 3) Volume of turnover, social and financial status, etc. will form the basis for categorization of customers into low, medium and high risk. Customers requiring very high level of monitoring, e.g. Politically Exposed Persons (PEP), Non Face-to-Face Persons will be given due consideration according to the regulatory requirements.
- 4) Documentation requirements and other information will be collected in respect of different categories of customers depending on perceived risk and guidelines issued from time to time; Declaration will be taken from the customer that the proceedings/transactions are not in violation of the PML Act, 2002 and RBI regulations in this regard.

- 5) Not to open an account or close an existing account where the Company is unable to apply appropriate customer due diligence measures, i.e. the Company is unable to verify the identify and /or obtain documents required as per the risk categorization due to non co-operation of the customer or non-reliability of the data/information furnished to the Company.
- 6) Permanent Address proof from new applicants will be collected. The documents which can be accepted as proof of address are mentioned in Annexure I. Aadhar letter issued by Unique Identification Authority of India also be accepted as the document for address proof. If the address provided by the customer is same on the document submitted for identity proof, the document be accepted as proof of both identity and address.
- 7) In the following circumstances, the account may be operated by a mandate holder or the account may be opened by an intermediary in a fiduciary capacity hence the customer is permitted to act on behalf of another person/entity, in conformity with the established law and practices:
 - (a) if applicant is NRI/PIO
 - (b) if applicant is a limited company.
 - (c) if applicant is a partnership firm
 - (d) any other circumstance where it is not possible for the applicant to be present at the branch location physically available.
- 8) Necessary checks before any loan disbursement will be carried out through Field Investigation agency so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.
- 9) The Company will prepare a profile for each new customer during the credit appraisal based on risk categorization as mentioned in this policy and as per credit risk policy and operations manual. The customer profile will contain information relating to the customer's identity, social/financial status, nature of business activity, information about his clients' business and their location, etc. The nature and extent of due diligence will depend on the risk perceived by the Company. At the time of credit appraisal of the applicant the details are recorded along with his profile based on meeting with the applicant apart from collection of applicable documents; this will be as per our credit and product norms which are incorporated in the operation manual and are in practice. 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.
- 10) The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or for any other purposes against monetary consideration. The Company will continue to share our client data with CIBIL and empanelled FI agencies and such other organizations/entities subject to confidentiality clause, since the purpose of sharing this information is to ensure risk minimization.
- 11) As per KYC policy, for acceptance and identification, customers are categorized broadly into low risk, medium risk, and high risk categories:-

- (i) **Low risk customers:** For the purpose of this policy will be individuals and entities whose identities and sources of wealth can be easily identified, have structured income and transactions in whose accounts by and large conform to the known profile. Illustrative examples of low risk customers could be:
- i. Customer category for his good credit worthiness
 - ii. Place of the customer is decent
 - iii. Area potential (market information & Trade or NT area) is Trade
 - iv. Business Product for which the loan is sought – Business Running Good
 - v. Co-borrower / Guarantor capabilities – Good
 - vi. Customer class (social / political / legal / police / local gunda etc) – Social
 - vii. Customer existing repayment track record with NPA movement – CIBIL DPD = Nil
 - viii. Repayment schedule proposed in the deal – As per customer policy with no deviation
- (ii) **Medium Risk customers** would include:
- i. Customer category for his moderate credit worthiness
 - ii. Place of the customer is moderate
 - iii. Area potential (market information & Trade or NT area) is Trade / NT
 - iv. Business Product for which the loan is sought – Business running not so good
 - v. Co-borrower / Guarantor capabilities – Average
 - vi. Customer class (social / political / legal / police / local gunda etc) – Political / Legal / Police
 - vii. Customer existing repayment track record with NPA movement – CIBIL DPD < 60 DPD
 - viii. Repayment schedule proposed in the deal – As per customer policy with deviation
- (iii) **High risk customers** that are likely to pose a higher than average risk to us may be categorized high risk customers depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc. The Company will examine the case in details based on the risk assessment as per our credit risk policy and guidelines of operations manual. Examples of high risk customers requiring higher due diligence may include:
- i. Customer category for his low credit worthiness
 - ii. Place of the customer is Slum
 - iii. Area potential (market information & Trade or NT area) is NT
 - iv. Business Product for which the loan is sought – Not in-demand product
 - v. Co-borrower / Guarantor capabilities – Poor

- vi. Customer class (social / political / legal / police / local gunda etc)
– Local gunda & others
- vii. Customer existing repayment track record with NPA movement –
CIBIL DPD > 60 DPD
- viii. Repayment schedule proposed in the deal – Not as per Company
policy

Overall customer viability:

Low Risk Customers: All 10 parameters of Low Risk or 7 parameters of Low Risk & 3 parameters of Medium Risk

Medium Risk Customers: All 10 parameters of Medium Risk or 7 parameters of Medium Risk & 3 parameters of Low Risk

High Risk Customers: Not Considered

Our exposure to any of our clients is subject to our credit risk policy and operations manual of the company. However, for customer acceptance, KYC is a prerequisite for a credit risk grading.

Customer Identification Procedure (CIP)

Customer identification means identifying the customer and verifying his/ her / its identity by using reliable, independent source documents, data or information while establishing a relationship. The Company will obtain sufficient information such as Voter ID card, PAN number, Passport, DL, Badge, Permit etc. necessary to establish, to our satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship.

It will be ensured that due diligence is observed based on the risk profile of the customer in compliance with the extant guidelines in place and the same will be available for verification. Besides risk perception, the nature of information/ documents required will also depend on the type of customer (individual, corporate etc). For customers that are natural persons, The Company has to obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph. The Company collects identity proof, bank account details and property documents and the Company has empanelled FI agencies who independently verify the applicant's occupation, residence and documents as applicable.

An indicative list of the nature and type of documents that may be relied upon for customer identification is given in the **Annexure I**.

Monitoring of Transactions

Ongoing monitoring is an essential element of effective KYC procedures. Since The Company is a finance company and all our loans are tenure based with a fixed

installment paid through various modes, our monitoring structure will be relevant to our nature of operations. The Company will pay special attention to all unusually large transactions involving large cash and the Company has introduced cash transaction reporting system above Rupees Ten lacs. Risk categorization as is mentioned in this policy may be updated as and when required by the Management. In case of overdue/default accounts where there is scope for meeting or vetting the profile of this customer again, due diligence if found necessary will be carried out. Subsequent to our sanction, during the period of part disbursement till full disbursement if any unusual transaction/development comes to our knowledge relating to money laundering the same will be verified and notified as required, The Company will ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002. The Company will ensure that transactions of suspicious nature as defined in Annexure II and/or any other type of transaction notified under section 12 of the PML Act, 2002, is reported to the appropriate law enforcement authority, as and when detected by our officials through the Principal Officer.

The Company will maintain proper record in accordance with the PML Act, 2002, of all cash transactions (deposits and withdrawals) of Rupees Ten Lakh and above. As a matter of policy, the Company does not accept deposits in cash over Rupees Ten Lakhs. No loan is disbursed in cash and No monthly installment above Rupees Ten Lakh is accepted in cash except in case of delinquency if required. Any transactions of suspicious nature as per Annexure II are to be reported to the Principal Officer immediately. In addition thereto, the Branches shall on monthly basis furnish a certificate to the Principal Officer evidencing that neither such prohibited transactions and/nor cash transaction as specified in the policy have taken place.

Risk Management:

Compliance of KYC policy:

United Petro Finance Limited shall ensure compliance with KYC Policy through: (a) Specifying as to who constitute 'Senior Management' for the purpose of KYC compliance. (b) Allocation of responsibility for effective implementation of policies and procedures. (c) Independent evaluation of the compliance functions of Company's policies and procedures, including legal and regulatory requirements. (d) Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures. (e) Submission of quarterly audit notes and compliance to the Audit Committee.

Designated Director: (a) Ms. Shaili K Maheshwari has been appointed as a "Designated Director" by the Board of Directors. (b) The appointment of Designated Director has already sent to the FIU-IND.

Periodic updation: Periodic updation shall be carried out once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers subject to the following conditions:

(a) Fresh proofs of identity and address shall not be sought at the time of periodic updation, from customers who are categorized as 'low risk', when there

is no change in status with respect to their identities and addresses and a self-certification to that effect is obtained.

(b) A certified copy of the proof of address forwarded by 'low risk' customers through mail/post, etc., in case of change of address shall be acceptable.

(c) Physical presence of low risk customer at the time of periodic updation shall not be insisted upon.

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

(e) Fresh photographs shall be obtained from customer for whom account was opened when they were minor, on their becoming a major.

Partial freezing and closure of accounts: Where Company is unable to comply with the CDD requirements we will not open accounts, commence business relations or perform transactions. In case of existing business relationship which is not KYC compliant, Company shall ordinarily take step to terminate the existing business relationship after giving due notice, subject to closure / foreclosure of existing loans. In case the customer is non-compliant, further loans shall be disallowed to these set of customer.

Client accounts opened by professional intermediaries: Company shall ensure while opening client accounts through professional intermediaries, that: a) Clients shall be identified when client account is opened by a professional intermediary on behalf of a single client. b) Company shall have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. c) Company shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the RE. d) All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of Company, and there are 'subaccounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of Company, the Company shall look for the beneficial owners. e) REs shall, at their discretion, rely on the 'customer due diligence' (CDD) done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers. f) The ultimate responsibility for knowing the customer lies with the Company.

Obligations under International Agreements:

UPFL shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967, we do 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).

The details of the two lists are as under:

(a) The “**ISIL (Da’esh) & Al-Qaida Sanctions List**”, which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al-Qaida Sanctions List is available at

<https://www.un.org/sc/suborg/sites/www.un.org.sc.suborg/files/1267.pdf>

(b) The “**1988 Sanctions List**”, consisting of individuals (Section A of the consolidated list) and entities (Section B) associated with the Taliban which is available at <http://www.un.org/sc/committees/1988/list.shtml>.

Details of accounts resembling any of the individuals/entities in the lists shall be reported to FIU-IND apart from advising Ministry of Home Affairs as required under UAPA notification dated August 27, 2009.

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.

Freezing of Assets under Section 51A of Unlawful Activities (Prevention) Act, 1967:

The procedure laid down in the UAPA Order dated August 27, 2009 of the Master Direction shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured.

Jurisdictions that do not or insufficiently apply the FATF Recommendations:

(a) FATF Statements circulated by Reserve Bank of India from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered. Risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement shall be taken into account.

(b) Special attention shall be given to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF Statements.

(c) The background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF

Recommendations shall be examined, and written findings together with all documents shall be retained and shall be made available to Reserve Bank/other relevant authorities, on request.

CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR): Company shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as required by the revised KYC templates prepared for ‘individuals’ and ‘Legal Entities’ as the case may be. Government of India has authorized

the Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015.

Quoting of PAN Permanent account number (PAN) of customers shall be obtained and verified while undertaking transactions as per the provisions of Income Tax Rule 114B applicable, as amended from time to time.

Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS): UPFL shall take necessary steps for complying with the reporting requirements and shall develop Information Technology framework to ensure compliance.

UPFL shall adhere to Know Your Customer (KYC) guidelines by NBFCs and persons authorised by NBFCs including brokers/agents etc., where persons authorised by UPFL for collecting receivables from its customers shall be fully compliant with the KYC guidelines applicable to NBFCs.

Employee Screening, Hiring & Training: Necessary screening and hiring mechanism as an integral part of personnel recruitment/hiring process is in place. The Company will have an ongoing employee training program so that the members of the staff are adequately trained in KYC procedures. Training requirements will have different focuses for frontline staff, operation and compliance staff and staff dealing with new customers so that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

Customer Education: The Company will educate the customer on the objectives of the KYC program so that customer understands and appreciates the motive and purpose of collecting such information.

Introduction of New Technologies: The Company will pay special attention to any money laundering threats that may arise from new or developing technologies including on-line transactions that may favour anonymity, and take measures, if needed, to prevent their use in money laundering schemes as and when online transactions are started /accepted by the Company.

Non-Cooperation by the customer in respect of KYC norms: 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 will follow up with the existing identified customers for KYC compliance, Closure decision if at all is required will depend upon our internal assessment and will be taken at a Senior Level of State Heads / Territory Heads and above only after issuing due notice to the customer explaining the reasons for taking such a decision.

Applicability to branches and subsidiaries outside India: This is not applicable as the Company do not have any offices presently outside India.

Appointment of Principal Officer: The Company has a designated Principal Officer. Principal Officer is located at our Head Office and will be responsible for monitoring and reporting of all transactions and Secrecy obligation and sharing of information as required under the law. He will maintain close liaison with enforcement agencies, RBI and any other institution which are involved in the fight against money laundering and combating financing of terrorism. He will also ensure that there is proper system of fixing accountability for serious lapses and intentional circumvention of prescribed procedures and guidelines. However, any such action has to be documented and placed before the management committee of the company. Principal Officer will also report any unusual matter/information to the management committee of the company as and when it occurs. UPFL shall maintain confidentiality of information as provided in Section 45NB of RBI Act 1934.

Maintenance of Records of Transactions (As per Rule 3 of the Prevention of Money Laundering Rules 2005): The Company will maintain proper record of the under mentioned transactions:

- (i) All cash transactions of the value of more than rupees one million or its equivalent in foreign currency, though by policy The Company do not accept cash deposits in foreign currency.
- (ii) All series of cash transactions integrally connected to each other which have been valued below rupees one million or its equivalent in foreign currency where such series of transactions have taken place within a month.
- (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; any such transactions
- (iv) All suspicious transactions as mentioned in Annexure II

Information to be preserved: The Company will maintain the following information in respect of transactions referred to in the preceding point on "Maintenance of records of transactions"

- (a) The nature of the transactions
- (b) The amount of transactions and currency in which it was denominated
- (c) The date on which the transaction was conducted and
- (d) Parties to the transactions

The Company sanctions and disburses files on the system: Since the company has a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required. However the Company will maintain account information for at least five years from the date of cessation of transaction between the company and the client, all necessary records of transactions which will make available individual transactions so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

The Company will ensure that records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses,

Permits, PAN, utility bills, aadhar etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least five years after the business relationship is ended. Apart from this, the application form, copy of loan agreement, NOC, other document either photocopy or cancelled original copy will be kept for next five years after the full closure of the account. However, preservation and maintenance of the documents will be in paper form and a soft copy.

The identification of records and transaction data will be made available to the competent authorities upon request only through the principal officer under this policy with his approval.

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

Review of the policy – UPFL shall reviewed annually or at warranted in terms of regulatory requirements,

Basic Documentation Requirement

Application Form	Application form must be Complete & duly filled in all respect & Signed by Applicant, Co-applicant & Guarantor (if any) with two valid references. References should not be blood relatives of applicant & also not staying together but should be from same city and should not have same contact numbers. References should not be from Dealer Sales Executives
Photograph	Latest Color Photographs are mandatory in case of Applicant, co-applicant & Guarantor (if any) and signed across.
Identity Proof	The Document supporting the applicant, co-applicant & guarantor (if any) identity will need to have a photograph; <ol style="list-style-type: none"> 1. PAN Card 2. Passport (Not Expired) 3. Bank Passbook front page with photograph attested by bank (Nationalized Banks / Multi State / Major Private Banks Only) 4. Identity cards issued by Central / State Government 5. Company ID card with Photograph issued by PSU, Banks, Public Limited Companies, Govt. Enterprises 6. Voter ID card (It can used for CIBIL only if exact DOB is mentioned)
Address Proof	The following documents can be provided by Applicant, co-applicant & Guarantor (if any) as proof of Permanent Address: <ol style="list-style-type: none"> 1. Registered Rent Agreement along with last rent receipt with electricity bill of Owner 2. Bank Passbook (updated not earlier than 2 months max, depending on the date of application, from Nationalized Bank / Multi State / Major Private Banks only) 3. Passport (Not Expired) 4. Voter ID card 5. Telephone Bill (not older than 3 months from date of proposal) 6. Electricity Bill (not older than 3 months from date of proposal) 7. Aadhar card <p>Note 1: In case of address mismatch (minor difference in given proof), in such cases Branch Credit will take a call on case to case basis.</p> <p>Note 2: Print outs taken from service providers' internet portal would not be accepted (Telephone / Electricity / Mobile)</p>

Business Proof (Self Employed)

1. Utility Bills of office should be in the name of the firm
2. Latest Property Tax Paid receipts to Municipal Authorities
3. Shop Act License
4. Certificate of Practice (Professionals like CA, Doctors)
5. Registered Partnership Deed
6. Income Tax Returns
7. Sales Tax Registration Certificate
8. Excise Registration Certificate
9. Small Scale Industries Registration Certificate
10. MOA & AOA
11. Service Tax Registration Certificate
12. Income Tax Acknowledgement in case of partnership firms & Pvt Ltd companies
13. Current Account Bank statement

Income Documents & Documentation

Sl No	Name of Document	Validation
1	Bank Statement	Bank statement is Compulsory. wherever possible Statements to be collected of applicant's major banker Bank balance to be considered on 10 th , 20 th & 30 th of every month for calculating average balance, number of Credits also taken into consideration to justify the Income
2	Application Form	To be completed in all respect & duly signed by applicant, co-applicant & Guarantor (if any)
3	Financials	Certified Financials to be collected wherever possible
4	Authority for signing Agreement	Partner's authorization letter or Power of Attorney in case of partnership firm and in case of company, board resolution or power of attorney
5	Documents as per Constitution of customer	<ul style="list-style-type: none"> • Partnership firms – Registered Partnership deed & authority letter from the partners in favor of 1 or 2 partners to make the application for facility on their behalf (If Registered Partnership Deed is not available, then age of Partnership should not be less than 18 months – In case the partnership deed is not registered, valid proof of the partnership being in existence for at least 18 months to be provided by the borrowing firm. The

		<p>documents for age verification can be any of the following - Bank Account, Sales Tax/Service Tax/GST Number, PAN, Shop Establishment, Income Tax Return.)</p> <ul style="list-style-type: none"> • Companies – MOA, AOA & Board Resolution as per format • Joint Venture / Association of Persons – Memorandum / Deed of Joint Venture
6	FI & TVR	Field Investigation Report & Telephone Verification Report of both Residence (present and permanent both) & Office for Applicant, co-applicant, & guarantor (if any) to be documented in the file.

-Note – Original documents produced would be return back to customers after verification

List of suspicious transactions:

- a) Customer is reluctant to provide information, data, documents;
- b) Submission of false documents, data, purpose of loan, details of accounts;
- c) Reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons;
- d) Unable to explain or satisfy the numerous transfers in the statement of account/multiple accounts;
- e) Suggesting dubious means for the sanction of loan;
- f) Where transactions do not make economic sense;
- g) There are reasonable doubts over the real beneficiary of the loan and the end use of the loan;
- h) Consideration stated in the agreement is abnormally higher/lower than what is prevailing in the market;
- i) Request for payment made in favour of a third party who has no relation to the transaction;
- j) Frequent requests for change of address;
- k) Overpayment of installments with a request to refund the overpaid amount