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

Introduction

This Policy on Know Your Customer & Anti-Money Laundering Measures ("Policy") draws In accordance with the Master Directions issued (as amended from time to time) by Reserve Bank of India, and the Master Circular – 'Know Your Customer' (KYC) Guidelines – Anti Money Laundering Standards (AML) -'Prevention of Money Laundering Act, 2002 - Obligations of NBFCs ("Circular")in terms of Rules notified thereunder and any other amendment, revision in the directions made thereunder, issuance of any guidelines, notification, circular by the RBI in this regard from time to time.

Mulamoottil Financiers Limited (MFL) is required to put in place appropriate Policy and procedures to comply with the relevant Know Your Customer (KYC) norms and Customer Due Diligence (CDD) processes at the time of onboarding the Customer and also during the continued relationship with such Customer which includes monitoring of transactions in terms of the above-mentioned directions.

Objectives, Scope and Application of the Policy:

This policy framework aims to ensure stringent compliance with the Prevention of Money Laundering Act (PMLA) and its accompanying rules, inclusive of regulatory directives, thereby fortifying defences against threats emanating from money laundering, terrorist financing, proliferation financing, and associated risks. While steadfastly adhering to legal and regulatory mandates, the company is committed to embracing best international practices, aligning with the Financial Action Task Force (FATF) standards and guidance notes, to enhance risk management practices.

The primary objective of Know Your Customer (KYC) guidelines is to shield the Company from being unwittingly or intentionally utilized by criminal elements for money laundering or terrorist financing endeavours. Additionally, KYC procedures serve to foster a deeper understanding of the Company's clientele and their financial transactions, thereby facilitating prudent risk management. Accordingly, the KYC policy has been meticulously formulated for the following purposes:

- Mitigating the risk of criminal exploitation for money laundering activities.
- Enhancing the Company's comprehension of its customers and their financial transactions to bolster risk management practices.
- Establishing robust controls for the detection and reporting of suspicious activities in alignment with applicable laws and prescribed procedures.
- Ensuring strict adherence to pertinent laws and regulatory guidelines.
- Providing comprehensive training to relevant staff in KYC/AML/CFT procedures.

This Policy encompasses four pivotal elements:

- Customer Acceptance Policy (CAP)
- Customer Identification Procedures (CIP)
- Transaction Monitoring
- Risk Management

Customer Acceptance Policy (CAP)

MFL's CAP lays down criteria for acceptance of Customers. While taking decision to grant any facilities to the Customers as well as during the continuation of any facilities the following norms and procedures will be followed by the company

1. Accounts will not be opened under anonymous or fictitious/benami names.

2. Risk perception parameters, such as the nature of business activity, customer location, mode of payments, turnover volume, social and financial status, etc., will be clearly defined. This enables the categorization of customers into low, medium, and high-risk categories, warranting varying levels of monitoring. For instance, Politically Exposed Persons may be categorized even higher if deemed necessary.

3. Documentation requirements and other necessary information will be collected based on the perceived risk of different customer categories. This is in line with the requirements of the PML Act, 2002, and guidelines issued by the Reserve Bank.

Inability to apply appropriate customer due diligence measures may result in the non-opening of an account or the closure of an existing account.

Circumstances allowing a customer to act on behalf of another person/entity, such as power of attorney holders, will be clearly defined in accordance with established banking laws and practices.

Necessary checks will be conducted before opening a new account to ensure that the customer's identity does not match with any individual with a known criminal background or banned entities such as individual terrorists or terrorist organizations, etc.

Maintaining a profile for each new customer based on risk categorization, which could be part of the initial documentation, can fulfill the above requirements.

Customer Identification Procedure (CIP)

Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. We need to obtain sufficient information 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.

For individuals, we should obtain sufficient identification data to verify the identity and address of the customer, through any of the following physical documents

Identity	Address
➢ Passport ➢ PAN Card ➢ Voter ID Card ➢ Driving license ➢ Ration Card with photo ➢ UIDAI card (Aadhar) ➢ Bank Pass Book issued by public sector banks having photograph of the customer	➢ NPR (National Population Registration) Card ➢ Ration Card with or without photo ➢ Pension payment orders ➢ Credit Card Statement- not more than 3 months old ➢ Salary slips with address (latest) ➢ Electricity Bill (latest) ➢ Landline Telephone Bill/Mobile bill - not more than 3 months old ➢ Bank Pass Book/Account statement (latest) ➢ Rent Agreement (latest) ➢ Gas Bill (latest). ➢ Photo identity Cards issued to bonafide students by a University, approved by the University Grants Commission (UGC) and/or an Institute approved by All India Council for Technical Education (AICTE). ➢ Government/Defence ID Card

KYC for Non-Individuals (Companies, Firms, Trusts etc)

Companies	1. Certificate of Incorporation and Memorandum of Association & Articles of Association. 2. Resolution of Board of Directors for opening the account and authorization of persons to operate the account. 3. PAN allotment letter or Copy of telephone bill.
Partnership Firms	1. Registration certificate, if registered Partnership Deed 2. Power of attorney authorizing a partner/ employee to carry out transactions on behalf of the firm 3. Valid documents identifying the partners

	4. Power of Attorney holders (same as applicable for individuals as mentioned in para II above)
Proprietorship Firms	1. Valid documents identifying the proprietor (same as applicable for individuals as mentioned in para II above) PLUS (any two of the below mentioned documents) 2. Registration certificate, if registered Certificate /License issued under Shops & Establishment Act Sales Tax / Income Tax returns. 3. VAT / CST registration License issued by Govt / Autonomous /Regulatory
Trusts , Associations	1.Power of attorney authorizing a person to carry out transactions on behalf of the trust Valid documents identifying the trustees, beneficiaries, power of attorney holder etc. (same as applicable for individuals as mentioned in para II above) 2. Resolution of the managing body of the trust / association 3. Telephone bill

* As a policy, Gold loan will be granted to individuals only and not to companies, firms, trusts etc.

For customers that are legal persons or entities wherever applicable, we should

➢ verify the legal status of the entity through proper and relevant documents;

➢ verify that any person purporting to act on behalf of the entity is so authorized and identify and verify the identity of that person;

➢ Understand the ownership and control structure of the customer and determine who are the natural persons -who ultimately control the legal person.

➢ Collect the PAN details and also verify details of the customer for a non-account based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees Five Lakhs or any other prescribed limits set out by authorities from time to time whether conducted as a single transaction or several transactions that appear to be connected.

➢ Periodic KYC Updation shall be carried out at least 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

Monitoring of Transactions

Monitoring of transactions will be conducted taking into consideration the risk profile of the account. Special attention will be paid to complex/unusual transactions and transactions falling outside the regular pattern of activity.

Background of the customer, sources of fund and risk factors will be monitored. Higher risk accounts shall be subjected to close and detailed monitoring. After due diligence, transactions of suspicious nature will be reported by the principal officer to Director, Financial Intelligence Unit – India (FIU – IND).

The role and responsibilities of the Principal Officer for KYC/AML/CFT(s) will include overseeing and ensuring overall compliance with regulatory compliance on KYC/AML/CFT issued from time to time and obligations under the Prevention of Money Laundering Act,2002, rules and regulations made there under, as amended from time to time.

Risk Management

Risk Level Categorization

1. Risk categorisation shall be undertaken based on parameters such as customer’s identity, social/financial status, nature of business activity, and information about the clients’ business and their location etc. While considering customer’s identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

2. The internal audit and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures. As a general rule, the compliance function should provide an independent evaluation of the Company’s own policies and procedures, including legal and regulatory requirements.

3. The audit machinery will be staffed adequately with individuals who are well-versed in such policies and procedures.

4. Internal Auditors should specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard may be put up before the Audit Committee of the Board on quarterly intervals.

The profile of new customers will be prepared based on risk categorization.

This profile will include the following information about new customers:

- Customer identity

- Social/legal and financial status of the customer

- Nature of the business activity

- Information about the business activities of the customer's clients and their locations

When preparing customer profiles, only relevant information that pertains to the risk category and is non-intrusive to the customer will be sought.

The extent of due diligence will vary depending on the perceived risk. Customer profiles will be confidential documents, and the details contained therein will not be disclosed for cross-selling or any other purposes.

Individuals (other than High Net Worth) and entities whose identities and sources of wealth are easily identifiable and whose transactions largely conform to known profiles, such as salaried employees, may be categorized as low risk.

Customers likely to pose a higher-than-average risk may be categorized as medium or high risk based on their background, nature and location of activity, sources of funds, and client profile. Enhanced due diligence measures will be applied to higher-risk customers, especially those with unclear sources of funds.

Due to the risks associated with cash-intensive businesses, accounts of bullion dealers (including sub-dealers) and jewelers will be categorized as 'high risk', requiring enhanced due diligence. These 'high-risk accounts' will also undergo intensified transaction monitoring to identify suspicious transactions for filing Suspicious Transaction Reports (STRs) to FIU-ND.

TRAINING

The company regularly trains its employees so that the employees are adequately trained in KYC/AML/CFT procedures. Training requirements shall have different focuses for frontline staff, compliance staff and office/staff dealing with the new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them.

CMD/CEO will be authorized to amend/modify the KYC/AML/CFT Policy or such other related guidance notes of Company, to be in line with RBI or such other statutory authority's requirements/updates/amendments from time to time.

GENERAL

The instructions relating to obtention of KYC documents as mentioned in the policy shall be strictly applicable to liability products such as NCDs, subordinate Debts, loans etc and also for money changing business undertaken by the company.

The photo of the customer which is already been captured at the time of creation of customer id file and also the obtention of "LIVE PHOTO" on the pawn ticket shall be continued as usual.

Information collected from the customer shall be treated as confidential and details thereof are not to be divulged for cross selling or any other like purposes. These details shall be properly retained and preserved for each customer. Profile of customer may be prepared for quick reference as and when required.

However, details of customer may be shared with approved credit agencies, CKYC website, government agencies, and any other approved / notified entity.