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GILADA FINANCE AND INVESTMENTS LIMITED
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KNOW YOUR CUSTOMER NORMS &
ANTI MONEY LAUNDERING
MEASURES

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KNOW YOUR CUSTOMER NORMS & ANTI MONEY LAUNDERING MEASURES

1. INTRODUCTION

- 1.1.** RBI has advised all the Financial Institution to follow certain customer identification procedure for monitoring the transaction of the suspicious nature for the purpose of reporting it to the appropriate authority. The recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT) standards have become the international benchmark for framing Anti Money Laundering and combating financing of terrorism policies by the regulatory authorities. Compliance with these standards both by the banks/financial institutions, including HFCs, has become necessary for international financial relationships.
- 1.2.** This policy document is prepared taking into account the guidelines enumerated in the Master Circular dated July 1, 2013 issued by RBI on Know Your Customer (KYC, Anti Money Laundering Act, 2002), and other obligation of NBFC in terms of rules notified there under.

2. OBJECTIVES OF THE POLICY

- 2.1** To lay down policy framework for abiding by the Know Your Customer Norms and Anti Money Laundering Measure as set out by Reserve Bank of India, based on the recommendations of the Financial Action Task Force (FATF).
- 2.2** The objective of KYC/AML/CFT Policy is to prevent Gilada Finance and Investments Limited being used intentionally or unintentionally, by criminal elements for money laundering activities.
- 2.3** To enable Gilada Finance and Investments Limited to know / understand its customers and their financial dealings better, which in turn would help it to manage its risks prudently.
- 2.4** To lay down explicit criteria for acceptance of customers.
- 2.5** To establish procedures to verify the bona-fide identification of individuals/ non-individuals customers.
- 2.6** To establish processes and procedures to monitor high value cash transactions and /or transactions of suspicious nature.

- 2.7 To develop measures for conducting due diligence in respect of customers and reporting of such transactions.
- 2.8 To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws / laid down procedures and regulatory guidelines.
- 2.9 To comply with applicable law and regulatory guidelines.
- 2.10 To take necessary steps to ensure that the relevant staff are adequately informed and trained in KYC/AML procedures.
- 2.11 To manage the risk associated with dealing with customers who are potentially in contravention of KYC and AML norms.

3. SCOPE OF THE POLICY

- 3.1 This policy is applicable across all branches / business segments of Gilada Finance and Investments Limited and is to be read in conjunction with related operational guidelines issued from time to time.
- 3.2 The contents of the policy shall always be read in tandem/auto-corrected with the changes/modifications which may be advised by RBI and / or by any regulators and / or by GFIL from time to time.

4. KEY ELEMENTS OF THE POLICY

There are four key elements to the KYC guidelines as set out by RBI

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

GFIL's KYC policy in regard to the four key elements in respect of the customers is given below:

5. CUSTOMER ACCEPTANCE POLICY (CAP)

Gilada Finance and Investments Limited (GFIL) Customer Acceptance Policy, which lays down explicit criteria for acceptance of customers, ensures the following aspects of the customer relationship:

- 5.1** GFIL's customers/clients are mainly (i) borrowers to whom GFIL provides financial assistance/ loans. These are generally individual persons, proprietorship firms, partnership firms, NGOs, trusts, corporate bodies; (ii) Investors are those customers from whom GFIL raises its resources.
- 5.2** GFIL shall not deal with anonymous or fictitious benami name(s) person having connections with terrorist's organization(s).
- 5.3** It shall be ensured that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorist or terrorist organizations.
- 5.4** It would be necessary on the part of customer to furnish data/documents as prescribed in this policy. In case of non-submission of information or non-submission of documents as required, GFIL may even refuse to consider the loan application.
- 5.5** Customers shall be accepted after verifying their identity as laid down in customer identification procedures. Documentation requirements and other information shall be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of PML Act, 2002 and instructions/guidelines issued by RBI/ GFIL from time to time. Indicative documentation required to be submitted by the customer at the time of submission of loan application.
- 5.6** The documentation requirements to be obtained from the customers would be reviewed by Dealing Officer from time to time based on emerging business needs and guidelines issued by RBI.

6. CUSTOMER IDENTIFICATION PROCEDURE (CIP)

- 6.1** Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. (Annexure III).
- 6.2** GFIL shall obtain sufficient information necessary to verify the identity of each new customer, whether regular or occasional and the purpose of the intended nature of business (financing) relationship.
- 6.3** Customer Identification Procedure to be carried out at different stages: while carrying out a financial transaction (or), when there is a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

- 6.4** For customers that are natural persons, it would be necessary to verify the identity of the customer, his address/location and also his recent photograph, documents for verifying signature. In case no document is available for verification of the signature, Branch Head/Dealing Officer shall obtain the signature in his / her front. Alternately, identity documents can be substituted by satisfactory personal introduction except obtaining of photograph.
- 6.5** For customers that are legal persons or entities, it would be necessary to (i) verify the legal status through proper and relevant documents (ii) verify that any person purporting to act on behalf of the legal person/ entity is so authorized and identify and verify the identity of that person (iii) understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person (iv) to verify passport/voter identity card, PAN card and (iv) DIN (Direct Identification Number) wherever applicable and a copy shall be obtained. Indicative list of documents for customer identification is given in Annexure-II
- 6.6** GFIL shall periodically update customer identification data (including photographs) after the transaction is completed.

7. MONITORING OF TRANSACTIONS

- 7.1** Monitoring of transactions will be conducting taking into consideration the risk profile of the account. GFIL shall make endeavors to understand the normal and reasonable activity of the customer so that the transactions that fall outside the regular/pattern of activity can be identified.
- 7.2** The collection of data on the borrower side would be the primary responsibility of Funding Department and the required data as per formats prescribed in this policy shall be collected, irrespective whether GFIL is the lead institution or there are other co-financing institutions.
- 7.3** To ensure monitoring of GFIL KYC Guidelines, the borrowers may be requested to resubmit their forms annually or in case there is any change in the structure of entity within 15 days of such change.
- 7.4** The collection of data of the investor side would be the responsibility of Dealing Officer of the Corporation.

7.5 To ensure monitoring and reporting of all transactions and sharing of information as required under the law for KYC, any officer of the GFIL duly authorized is designated as Principal Officer for KYC.

7.6 GFIL shall ensure that a record of transaction in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002.

8. RISK MANAGEMENT

8.1 GFIL shall ensure that adequate measures are taken to cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility should be explicitly allocated for ensuring that GFIL policies and procedures are implemented effectively.

8.2 GFIL if required may categorize the customers according to the risk perceived to facilitate undertaking due diligence for the purpose of risk categorization. (Annexure 1)

8.3 For the purpose of effective implementation of KYC policy and AML Standards, the Principal Officer shall monitor transactions in Borrower Loan Account on need basis with IT support to meet the requirements of KYC policy and AML standards.

8.4 All transactions of suspicious nature shall be reported to Principal Officer as an when the transactions are found to be suspicious by the branches. The Principal Officer shall ensure that such reporting system is in place and shall monitor receipt of the reports.

8.5 GFIL's internal audit and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures. Internal Auditors shall check and verify the application of KYC procedures at the branches / H.O. and comment on the lapses observed in this regard.

8.6 The Principal Officer designated by the Corporation in this regard will have overall responsibility for maintaining oversight and coordinating with various functionaries in the implementation of KYC/AML/CFT policy. However, primary responsibility of ensuring implementation of KYC/AML/CFT Policy and related guidelines will be vested with the respective Dealing Office.

8.7 Suitable checks and balances in this regard will be put in place at the time of introducing new products/procedures as also at the time of review of existing products/ procedures for overall risk and compliance management.

8.8 GFIL's Board - through its Audit Committee will directly evaluate and ensure adherence to the KYC policies and procedures, including legal and regulatory requirements.

9. OBLIGATIONS UNDER PREVENTION OF MONEY LAUNDERING (PML) ACT 2002`

9.1 Government of India, Ministry of Finance, Department of Revenue, vide its notification dated July 1, 2005 in the Gazette of India, has notified the Rules under the Prevention of Money Laundering Act (PMLA), 2002. In terms of the said Rules, the provisions of PMLA, 2002 came into effect from July 1, 2005. Section 12 of PML Act 2002 places certain obligations on NBFC, which include.

- a) Maintenance of records of transactions
- b) Information to be preserved
- c) Maintenance and preservation of record
- d) Reporting to Financial Intelligence Unit – India

9.2 In accordance with Section 12 of PMLA, GFIL will take appropriate steps to evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities.

9.3 Further, the GFIL must also preserve and maintain all necessary records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN, utility bills etc.) during the course of business relationship for at least ten years from the date of cessation of transaction between the GFIL and the customer, so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

10. INFORMATION TO BE PRESERVED

As per the PML Act, all necessary information in respect of transactions referred to in Rule 3 of PML Act has to be maintained properly, to permit reconstruction of individual transaction, including the following information:

- a) the nature of the transaction;
- b) the amount of transaction;
- c) the date on which the transaction was conducted; and
- d) the parties to the transaction.

11. MAINTENANCE AND PRESERVATION OF RECORD

- 11.1** GFIL shall have a system for proper maintenance and preservation of information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities.
- 11.2** Head Office and Branch Offices would maintain all transaction records for 10 years from the date of transactions between the customers and GFIL.
- 11.3** GFIL will also ensure that records pertaining to the identification of the customer and his / her address (e.g. copies of documents like passports, identity cards, driving licenses, PAN, utility bills etc.) obtained while giving loan and during the course of business relationship, are properly preserved for at least ten years after the business relationship is ended. The identification records and transaction data will be made available to the competent authorities upon request.

12. REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA

- 12.1** In terms of PMLA Rules, GFIL shall be required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) in respect of transactions referred to in Rule 3.
- 12.2** GFIL will ensure that the provisions of PMLA Rules framed and the Foreign Contribution and Regulation Act, 1976, wherever applicable, are adhered to strictly.
- 12.3** GFIL shall strictly comply with all formalities including timely submission of all applicable report and returns in the prescribed format with regards to cash & suspicious transaction qualifying under PML Rules directly to FIU-IND through the designated Principal Officer(s) of the company. However, as had been earlier advised, there is no need for submission of NIL report in respect to the above. Further, GFIL and its employees shall maintain strict confidentiality of the fact of furnishing/reporting details of suspicious transactions.

13. KYC FOR EXISTING CUSTOMERS

- 13.1** While the KYC guidelines will apply to all new customers, the same would be applied to the existing customers on the basis of materiality.
- 13.2** Efforts would be made to collect necessary details from the existing customers.
- 13.3** As required under the Act and rules, information so collected shall be properly retained and preserved for each customer. Profile of customer may be prepared for quick reference as and when required. The information/documents so collected shall be treated as confidential and shall not be divulged for cross selling or for any other purpose.

14. APPOINTMENT OF PRINCIPAL OFFICER

- 14.1** To ensure monitoring and reporting of all transactions and sharing of information as required under Rule 7 of the Prevention of Money Laundering (Maintenance of Records etc.) 2005.
- 14.2** Principal Officer for KYC will act independently and report directly to the concerned Director/MD/CMD or to the Board of Directors.
- 14.3** Principal Officer shall be located at the head/corporate office of GFIL.
- 14.4** Principal Officer shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law.
- 14.5** He/She will maintain close liaison with enforcement agencies, GFIL and any other institution which are involved in the fight against money laundering and combating financing of terrorism.
- 14.6** Further, the role and responsibilities of the Principal Officer shall include overseeing and ensuring overall compliance with regulatory guidelines 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.
- 14.7** The Principal Officer will also be responsible for timely submission of CTR, STR to FIU-IND.

14.8 With a view to enabling the Principal Officer to discharge his responsibilities effectively, the Principal Officer and other appropriate staff shall have timely access to customer identification data and other CDD information, transaction records and other relevant information.

15. CUSTOMER EDUCATION

15.1 GFIL shall take adequate measures to educate the customer on the objectives of the KYC programme, especially at the time of obtaining sensitive or personal information from the customers.

15.2 While dealing with customers, Dealing Officers and Staff in GFIL shall take special care in obtaining required information from the client.

15.3 Summary of the above policy along with relevant forms shall be uploaded in GFIL's Website to educate the customer of the objectives of the KYC programme.

15.4 GFIL shall also take care to see that implementation of the KYC guidelines in respect of customer acceptance, identification etc. do not result in denial of financial services to genuine customers/general public.

16. EMPLOYEES TRAININGS/HIRING OF EMPLOYEES

16.1 An ongoing employee training programme shall be in place so that the members of the staff are adequately trained in KYC procedures. Training requirements should have different focuses for frontline staff, compliance staff and staff dealing with new customers.

16.2 It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them consistently and effectively.

16.3 Training module encompassing applicable money laundering laws and recent trends in money laundering activity as well as the bank's policies and procedures to combat money laundering shall be provided to all the staff members of GFIL periodically in phases.

16.4 The HR Department, Corporate Headquarters shall determine the frequency of training and identify personnel to be trained at each branch.

16.5 Hiring of Employees: KYC norms/AML standards/CFT measures have been prescribed to ensure that criminals are not allowed to misuse the

banking channels. Hence GFIL shall put adequate screening mechanism in place as an integral part of its recruitment/hiring process of personnel.

17. POLICY UPDATES AND REVIEW

17.1 The modifications / updates to the policy may also be initiated by Principal Officer based on the analysis of transactions monitored in customer accounts / operational risk events. The same shall be put up for approval to the Board.

17.2 The policy shall be reviewed as and when considered necessary by the Board. Indicative types of customers and their risk categorization are given as under.



ANNEXURE-1

RISK CATEGORIZATION OF CUSTOMERS

Indicative types of customers and their risk categorization are given as under-

a) Low Risk (Level I) Customers:

Individuals and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile may be categorized as low risk. The illustrative examples of low risk customers could be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover, Government Departments and Government owned companies, regulators and statutory bodies and includes:

- a) Individuals (Other than included in High and Medium Risk categories above)
- b) Government departments and Government owned Companies, regulatory and statutory bodies
- c) Non Profit Organisations / Non Government Organisations promoted by United Nations or its agencies
- d) All other categories of accounts / customer not falling under the indicated High and Medium Risk classifications.

In such cases, only the basic requirements of verifying the identity and location of the customer shall be met.

b) Medium Risk (Level II) Customers:

Customers that are likely to pose a higher than average risk may be categorized as medium risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc; such as: a) Persons in business/industry or trading activity where the area of his residence or place of business has a scope or history of unlawful trading/business activity.

c) High Risk (Level III) Customers:

GFIL may apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear.

The persons requiring very high level of monitoring may be categorized as Level IV.

ANNEXURE - II

Officially valid document' is defined to mean the passport, the driving license, the permanent account number card, the Voter's Identity Card issued by the Election Commission of India or any other document as may be required by GFIL.

The requirement of documents for both the type of Customer (individual, Corporate etc) would be different.

- a. For customers who are natural persons the document / data should be collected to verify the identity of the customers, his address, location and recent photograph.
- b. For the customers that are legal persons as entities
 - i) Verify the legal status of the legal person/entity through proper and relevant document.
 - ii) Check the authorization to operate or purport on behalf of the legal person/ entity and verify the identity.
 - iii) The ownership and control structure of the customer should be understood in such a way that determination of natural person who controls the legal person is made.

ANNEXURE - III

Customer Identification Requirement – Indicative Guidelines

a) Trusts/Nominees or Fiduciary Accounts

There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. It shall be determined whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting shall be insisted, as also shall obtain details of the nature of the trust or other arrangements in place. Due diligence in such cases shall be enhanced. GFIL shall take reasonable precautions to verify the identity of the trusts and the settlers of the trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries shall be identified when they are defined. In the case of 'foundation', steps shall be taken to verify the founder managers/directors and the beneficiaries, if defined.

b) Transactions with companies and firms :

GFIL shall be vigilant against business entities being used by individuals as a "front" for transactions. GFIL shall examine control structure of the

entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements shall be moderated according to the risk perception i.e. in the cases of public limited company it will not be necessary to identify all the shareholders.

c) Transactions through the professional intermediaries :

GFIL does not hold “pooled” accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds etc. However, in cases where GFIL rely on the “Customers Due Diligence” (CDD) done by an intermediary, they shall satisfy themselves that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirement. GFIL shall take the responsibility for knowing the customer.

d) Transactions with Politically Exposed Persons (PEPs) resident outside India:

Politically exposed persons are individuals who are or have been entrusted with prominent public functions’ in a foreign country i.e. Heads of States or of Government, senior politicians, senior govt./judicial/military officers, senior executives of state owned corporation. It would be necessary to gather sufficient information on any person who is connected with the customer in any capacity and check all the information available on the person in the public domain. Identity of such person may be verified and information about sources of funds may be obtained before accepting PEP as a customer. Similarly the utilization of funds provided by GFIL may be verified to ensure that funds are utilized for the purpose for which it is given. The decision to accept PEP as customer shall be approved by Managing Director. Such customers shall be subject to enhanced monitoring on an ongoing basis. The above norms shall be applicable in the case of family members or close relatives of PEPs.

e) Accounts of non-face to face customers:

In the case of non-face to face customers, apart from applying the usual customer identification procedures, certification of all documents presented shall be insisted upon and if necessary, additional documents shall be called for.



ANNEXURE - IV

Duties/Responsibilities and Accountability

The importance of KYC guidelines to the employees

GFIL employees will conduct themselves in accordance with the highest ethical standards and in accordance with the extant regulatory requirements and laws. Staff and management shall not provide advice or other assistance to individuals who are indulging in money laundering activities. The chain of duties and responsibilities at branches/ controlling offices and accountability are as under and non-compliance of the duties and responsibilities arising out of KYC guidelines will lead to fixation of accountability. Dereliction of duty and avoidance of knowledge will lead to examination of staff accountability.

Personnel	Duties/Responsibilities
Dealing Officer	<ul style="list-style-type: none"> • To take KYC related document. • To adhere to the provisions of Foreign Contribution Regulatory Act 1976. • To comply with the guidelines issued by GFIL from time to time in respect of conduct of account.
Principal Officer	<ul style="list-style-type: none"> • To scrutinize and satisfy himself/ herself the information furnished in the loan application form customer profile. • To certify in the Statement /Register regarding compliance with KYC guidelines and report suspicious transactions to appropriate authority.
Internal Auditor	<ul style="list-style-type: none"> • To verify and record his comments on the effectiveness of measures taken by branches/level of implementation of KYC guidelines



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