

BWDA FINANCE LIMITED (“BFL”)



KYC & AML POLICY

Preamble:

Reserve Bank of India has been issuing guidelines in regard to Know Your Customer (KYC) standards to be followed by banks and NBFCs and measures to be taken in regard to Anti Money Laundering (AML)/ Combating Financing of Terrorism (CFT)

NBFCs are required to put in place a comprehensive policy framework, duly approved by Board of Directors or competent authority authorized by Board of Directors, in this regard. This policy document has been prepared in line with the RBI guidelines and approved by the Board at its meeting held on 25th March 2022.

Objectives, Scope and Application of the Policy:

The primary objective is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities.

- To lay down explicit criteria for acceptance of customers
- To establish procedures to verify the bona-fide identification of individuals/non individuals for opening of account.
- To establish processes and procedures to monitor high value transactions and/or transactions of suspicious nature in accounts.
- To develop measures for conducting due diligence in respect of customers and reporting of such transactions.

Definition of Customer

For the purpose of the company's KYC policy a 'Customer' means a person defined under KYC policy of RBI and any amendment from time to time by RBI which are at present as under:-

- A person or entity that maintains an account and/or has a business relationship with company;
- One on whose behalf the account is maintained (i.e. the beneficial owner)
- Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted under the law, and
- Any other person or entity connected with a financial transaction which can pose significant reputation or other risks to the company, say a wire transfer or issue of high value demand draft as a single transaction.

Customer Acceptance Policy ("CAP")

Customer Acceptance Policy requires all customers to fill in company- KYC Form as attached to capture the relevant data for all categories of customers and provide supporting documents as given in the forms as a part of customer identification process / KYC.

Customer Identification Procedures (“CIP”)

Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. Company shall obtain sufficient information necessary to verify the identity of each new customer along with brief details of its promoters and management, whether regular or occasional and the purpose of the intended nature of Business relationship. The requirement as mentioned herein may be moderated according to the risk perception like in the case of a public specially listed company it will not be necessary to identify all the shareholders.

Documents requirements:

(A) In case of Individual

Proof of Identity	One <i>Self Attested</i> copy of any one of the following: <ol style="list-style-type: none">1. Passport*2. Photo Pan Card3. Voter’s ID4. Driving License*5. ID card issued by any central/state govt. Letter issued by Unique Identification Authority6. of India (UIDAI) containing details of name, address and Aadhaar number
Proof of address	One <i>Self Attested</i> copy of any one of the following: <ol style="list-style-type: none">1. Passport *2. Telephone bill (Landline)3. Electricity bill4. Bank Account statement (not later than one month)5. Letter issued by Unique Identification Authority5. of India (UIDAI) containing details of name, address and Aadhaar number

**Compulsory in case of non-resident individuals (NRIs).*

If the above documents are in any other language it must be translated into English along with a certificate from translator / notary public.

B) In case of non – individuals

Companies	A certified true copy of all the below documents, duly signed and stamped by the Company Secretary or Director of the company <ol style="list-style-type: none">1. Certificate of Incorporation Certificate of Commencement of Business2. (if applicable)3. Memorandum & Articles of Association4. Pan Card5. List of Directors6. Latest Shareholding Structure7. Any other documents as may be required by company
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Important: The Company shall periodically update customer identification data after the transaction is completed and review it every 6 months. The periodicity of updating data shall be once in five years in case of low risk category customers and once in two years in case of high and medium risk categories.

Monitoring and reporting of Transactions:

Monitoring of transactions will be conducted taking into consideration the risk profile of the account. The Company 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. Special attention will be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose.

Background of the customer, country of origin, sources of funds, the type of transactions involved and other risk factors shall determine the extent of monitoring. Higher risk accounts shall be subjected to intense monitoring. The Company shall carry out periodic review of risk categorization of transactions/customers and the need for applying enhanced due diligence measures at a periodicity of not less than once in six months.

The Company shall explore the possibility of validating the new account opening application with various watch lists available in public domain, including RBI watch list. After due diligence, any transactions or suspicious nature will be duly reported by principal officer to Director, Financial Intelligence Unit- India (FIU_IND).

To ensure monitoring and reporting of all transactions and sharing of information as required under the law for KYC, Board may nominate GM Internal Inspection to be designated as Company's Principal Officer with respect to KYC/ AML/ CFT.

Principal Officer(s) for KYC/ AML/ CFT: Principal Officer(s) for KYC will act independently and report directly to the MD. The role and responsibilities of the Principal Officer(s) includes 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.

The collection of data on the borrower side would be the primary responsibility of Project Appraisal Department and the required data as per formats (Appendix I) prescribed in this policy shall be collected, irrespective whether COMAPNY is the lead institution or there are other co-financing institutions. **To ensure monitoring of Company's 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 information of such change.**

Closure of Accounts/Termination of Financing/Business Relationship:

Where Company is unable to apply appropriate KYC measures due to non furnishing of information and/or non-operation by the customer, company shall terminate Financing/Business Relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decision shall be taken with the approval of Chairman & Managing Director or Principal Officer.

General

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. Company shall therefore, ensure that information sought from the Customer is relevant to the perceived risk, is not intrusive and is in conformity with the guidelines issued by RBI in this regard. Company shall ensure that any remittance of funds by way of demand draft, mail/telegraphic transfer or any other mode for any amount is affected by cheques and not against cash payment.

Risk Management: All customers would be included under this policy except scheduled commercial banks and FIs registered with statutory bodies like RBI, Government Companies or any organization owned or controlled by Government, as they may be exempt from Company's KYC structure. **Accordingly, in case of IPPs, the details of the borrower company, its Directors as well as shareholders would be obtained. Further, Companies customers will be categorized based on perceived risk, into three**

categories - A, B & C. Category C customers include low risk, Category B contain medium risk customers while Category A are high risk customers. None of the entities will be exempted from Company's KYC procedure, irrespective of the status and relationship with Company or promoter. The above requirement may be moderated according to the risk perception.

1. **High Risk – (Category A):** High risk customers typically includes (a) firms with sleeping partners (b) politically exposed persons (PEPs) of foreign origin (c) non face to face to customers and (d) person with dubious reputation as per public information available.
2. **Medium Risk – (Category B):** Medium risk customers will include (a) non – resident customers, (b) high net worth individuals (c) trust, charitable organizations, non govt. organization (NGO), organizations receiving donations, and companies having closed family shareholding or beneficial ownership.
3. **Low Risk – (Category C):** Low risk individuals (other than high net worth) and entities whose identities and sources of wealth can be easily identified and all other person not covered under above two categories.

Dealing Officers (Relationship Manager with project company) in the Project Department shall obtain the required data/documents and other relevant information and credit risk profiles of the existing and new Customers of Lending Side of Company and apply various Anti Money Laundering measures keeping in view the risk involved in a transaction.

RISK MANAGEMENT COMMITTEE: (“RMC”)

Principal officer may submit the periodic report to RMC if a need arises in case of high-risk cases and requires further guidance from Committee so they can assess the risk involved in the case of different customers on the basis of data collected by project department. Depending on the requirement, services of an independent consultant having knowledge and background on the subject may be taken. Such issue categorization shall be kept confidential and shall not be divulged to any third party irrespective of their relationship with Company at any level of organization.

KYC for the Existing Accounts:

While the KYC guidelines will apply to all new customers, the same would be applied to the existing customers on the basis of materiality and risk. However, transactions of existing customers would be continuously monitored for any unusual pattern in the operation of accounts.

FORMATS

The company has prescribed forms for KYC. 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.

Customer Education & Awareness: The above policy along with relevant forms shall be hosted on Company's website to educate the customer of the objectives of the KYC /AML/ CFT programme. While dealing with customers, Dealing Officers and Staff in company shall take special care in obtaining required information from the client.

Employee's Training:

Company shall have an ongoing employee-training programme so that team members are adequately trained in KYC/ AML/ CFT procedures. Training requirements shall have different focuses for frontline staff, compliance staff and officer/staff dealing with the new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them.

Updating KYC Policy of Company

Senior Management of the company 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 time to time.

Mandatory Documents required for starting a Relationship

Private and Public Limited Companies

- Certificate of Incorporation
- Certificate of commencement of business in case of Public Ltd. Company (not required in case the company is registered prior to Companies Act 1956 or if the company has subsequently become Public Limited from Private Limited)
- Certified True copy (certified by Company Secretary or Director) of the Memorandum and Articles of Association.
- List of Directors (certified by Company Secretary or Director)
- True copy (certified by Company Secretary or one director) of the Board Resolution either specific to the account opening with COMPANY or an omnibus board resolution.
- True Copy (certified by Company Secretary or director) of list of signatories.
- Annual Report for last 3 years of the company
- Form 60/PAN.
- Evidence of listing in a stock exchange, if any

Accounts, where third party mandate exists

- True notarized copy (with attested signature of POA holder and Managing Director or his authorized signatory) of power of Attorney (POA) Agreement.
- Reason for granting POA.
- True Copy (certified by Company Secretary or director) of Identity and address documents of POA holder
- Signed Photograph of POA holder.
- All other verification documents as applicable for Public/Private limited companies.

Financial Institutions

- True copy (certified by Company Secretary or director) of Certificate of Institution's License.
- True copy (certified by Company Secretary or director) of Certificate of Incorporation.
- True copy (certified by Company Secretary or director) of Statute or equivalent, stating that the institution is a regulated entity.
- All other verification documents as applicable for Public/Private limited companies.

Acceptable proof of address documents (Any One)

- Sales Tax Registration certificate.
 - Factory Registration certificate.
 - Recent(not more than 3 months) Utility Bill in the name of the company (Telephone Bill, Electricity Bill, Water Bill, Lease Agreement duly signed by all parties, Rental Agreement duly signed by all parties)
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- Import Export Code.
 - Any other documents issued by Government showing Address.
 - Form 18 and ROC receipt filed for recording change of registered address.
 - Form 32 and ROC receipt filed for recording change of Directors.
 - In case, of difference in the addresses provided by the company and the address proof, the Business Verification should be carried out by approved Chartered Accountant and Business Verification Report should contain the following:
 - Whether there is a signage outside the address that shows the entity's existence at that address.
 - What level of business activity is seen at the address?
 - How long the entity has been in existence at that address.
 - For cases, where the operating/trading address is different from the

registered address, Chartered Accountant will do office verification, for trading address. Where the registered and trading address is same, no separate proof is required to be provided (Other than the confirmation by the Chartered Accountant/Business)