

LAKME INVESTMENT AND FINANCE LIMITED

ANTI MONEY LAUNDERING AND KYC POLICY

Version Control

Document version	Description of changes	Memorandum of change	Prepared by	Proposed by	Owner Dept.	Approval Date
1.0			Operations	Head of Operation	Operations	

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1. Objective:

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 accounts.
- To establish processes and procedures to monitor high value transactions and/or transactions of a suspicious nature in accounts.
- To develop measures for conducting due diligence in respect of customers and reporting of such transactions.

2. Definition of Customer:

For the purpose of Lakme Investment and Finance Limited (hereinafter known as “Lakme” or “Company”) KYC policy a ‘Customer’ means a person defined under the KYC policy of the RBI and any amendment from time to time by the RBI which are at present as follows:

- A person or entity that maintains an account and/or has a business relationship with the Company;
- One on whose behalf the account is maintained (i.e. the beneficial owner)
- Any other person or entity connected with a financial transaction which can pose significant reputation or other risks to the Company, for example, a wire transfer or issue of high value demand draft as a single transaction

3. Customer Acceptance Policy (CAP)

The guidelines for Customer Acceptance Policy (CAP) for the Company are as follows:

- No account may be opened in an anonymous or fictitious/ benami name(s).
- The Company shall classify customers into various risk categories and based on risk perception decide on the acceptance criteria for each customer category.
- Accept customers only after verifying their identity as laid down in the customer identification procedures.

- While carrying out due diligence the Company will ensure that the procedures adopted will not result in the denial of services to genuine customers.
- For the purpose of risk categorization of customers, the Company shall obtain the relevant information from the customer at the time of the account opening.

4. Customer Identification Procedures (“CIP”)

Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information Lakme 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 the business relationship.

1. KYC Document requirements:

a. Proof of Identity and Proof of Address in case of Individuals

- Photo Pan Card (Front and back images)
- Aadhar card (Front and back images)
- Voter’s ID
- MSME certificates if applicable

b. Address Proof:

One self-attested copy of any one of the following:

- Passport
- Telephone bill
- Electricity bill
- Bank Account statement (not later than one month)

c. Proof of Identity and Principal place of Business in case of non-Individuals

(i) Company:

A certified true copy of all the below documents, duly signed and stamped by a Company Secretary or a Director of the applicant company:

- Certificate of Incorporation and Certificate of Commencement of Business (if applicable)
- Memorandum and Articles of Association
- PAN card
- List of Directors
- Latest shareholding structure
- Resolution of the Board of Directors to borrow the loan amount u/s 179 of the Companies Act, 2013.

(ii) Partnership Firms:

- Registration certificate, if registered
- Copy of PAN card. of firm & partners
- Partnership deed
- Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf
- Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses.
- List of partners along with addresses.
- PAN Card of partners.

(iii) Trust & Foundations:

- Certificate of registration, if registered.
- Copy of PAN Card of Trust.
- Trust Deed
- Power of Attorney granted to transact business on its behalf
- Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/ managers/ directors and their addresses.
- PAN Card of trustee.
- List of trustees

5. Monitoring and reporting of Transactions:

Monitoring of transactions will be conducted taking into consideration the risk profile of the account. Lakme 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 intensify monitoring. Lakme shall carry out the 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**. Lakme shall explore the possibility of validating the new accounts opening application with various watch lists available in the public domain, including the RBI watch list.

After due diligence, any transactions of a suspicious nature will be duly reported by a 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, the Board may nominate any Director or authorized any other officer(s) to be designated as Lakme's Principal Officer with respect to KYC/ AML.

6. Risk Management:

Risk management will cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility would be explicitly allocated within the Company for ensuring that the Company's policies and procedures are implemented effectively. The Company may, in consultation with its board, devise procedures for creating Risk Profiles of its existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.

The compliance in this regard may be put up before the Audit Committee of the Board on quarterly intervals.

The Company has 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, compliance staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

7. Customer Education:

Implementation of KYC procedures require the Company to demand certain information from customers which may be of a personal nature, or which has hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. The Company will prepare specific literature/ pamphlets etc. to educate the customer on the objectives of the KYC program. The front desk staff needs to be specially trained to handle such situations while dealing with customers.

8. Employees Training / Hiring of Employees:

Lakme shall have an ongoing employee training program so that the team members are adequately trained in KYC/ AML. 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.

9. Appointment of Principal Officer

1. To ensure the 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.
2. The Principal Officer for KYC will act independently and report directly to the the Board of Directors.
3. The Principal Officer shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law.
4. He/ She will maintain close liaison with enforcement agencies, Lakme and any other institution which are involved in the fight against money laundering and combating financing of terrorism (CFT).
5. 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 form time to time.
6. 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 relevant information

10. Maintenance of records of transactions

Lakme has a system of maintaining proper record of transactions prescribed under Rule 3, of the Prevention of Money-Laundering and value of transactions, the procedure and manner of maintaining and verification and maintenance of records of the identity of the clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, as mentioned below:

- all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency
- all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh
- 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
- all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

11. Information to be preserved

As per the NBFC guidelines, Lakme is required to maintain the following information in respect of transactions referred in Rule 3:

- the nature of the transactions.
- the amount of the transaction and the currency in which it was denominated.
- the date on which the transaction was conducted; and
- the parties to the transaction.

12. Maintenance and Preservation of records

Lakme 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 or when requested by the competent authorities. Lakme will maintain for at **least ten years** from the date of cessation of transaction between Lakme and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity. Lakme 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 opening the account 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.

13. Updating of the KYC Policy of the Company

The Board of Lakme will be authorized to amend/modify the KYC/ AML 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.

14. Reporting to Financial Intelligence Unit-India

In terms of PMLA Rules, Lakme 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 at the following address:

Director, FIU-IND Financial Intelligence Unit-India

6th Floor, Hotel Samrat Chanakyapuri

New Delhi – 110 021

Website – <http://fiuindia.gov.in>

Lakme will ensure that the provisions of the PMLA Rules and the Foreign Contribution and Regulation Act, 1976, wherever applicable, are adhered to strictly.

Lakme shall strictly comply with all formalities including timely submission of all applicable reports and returns in the prescribed format with regards to cash and suspicious transaction qualifying under the PML Rules directly to FIU-IND through the designated Principal Officer(s) of the Company. However, as has been earlier advised, there is no need for submission of any NIL report in respect to the above. Further, Lakme and its employees shall maintain strict confidentiality of the fact of furnishing/reporting details of suspicious transactions