

SUPERIOR FINLEASE LIMITED

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Know Your Customer (KYC) / Anti Money Laundering (AML) Combating of Financing of Terrorism (CFT) Policy in terms of Applicable RBI Circular on KYC / AML / CFT

1. PREAMBLE

The Prevention of Money Laundering Act, 2002 (PMLA) is enacted to prevent money laundering and to provide for confiscation of property derived from, or involved in, money laundering. The PMLA Act, and Rules notified there under, came into effect from 1st July, 2005.

The ‘Know Your Customer’ guidelines were issued in February 2005 revisiting the earlier guidelines issued in January 2004 in the context of the Recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT). These standards have become the international benchmark for framing Anti Money Laundering and combating financing of terrorism policies by the regulatory authorities.

The Reserve Bank of India (RBI) has issued / amended guidelines from time to time in regard to Know Your Customer (KYC) standards to be followed by banks / NBFCs to ensure that a proper policy framework on KYC and AML measures be formulated and put in place with the approval of the Board and measures to be taken in regard to Anti Money Laundering (AML)/ Combating Financing of Terrorism (CFT).

The Government of India set up Financial Intelligence Unit – India as an independent body to report directly to the Economic Intelligence Council headed by the Finance Minister. FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspicious financial transactions. FIU-IND is also responsible for coordinating and strengthening efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

The following amended guidelines issued by the Reserve Bank of India have been considered as key reference points while reviewing this policy.

i Master Circular – Know Your Customer (KYC) norms / Anti-Money Laundering (AML) standards / Combating of Financing of Terrorism (CFT) / Obligation of banks under PMLA, 2002 vide Master Circular Number RBI/2015-16/108 DNBR (PD) CC No. 051/03.10.119/2015-16 dated July 1, 2015 and applicable to all NBFC

ii. Master Direction - Know Your Customer (KYC) Direction, 2016 vide master direction no. RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 dated February 25, 2016 (Updated as on December 08, 2016) (Updated as on July 08, 2016)

iii. Amendments issued from time to time by FIU-India and RBI

Accordingly, in compliance with the guidelines issued / amended by RBI from time to time, the following KYC & AML policy of the Company is approved by the Board of Directors of the Company. This policy is applicable to all categories of products and services offered by the Company and shall apply to all branches of the Company.

2. 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. KYC procedures also enable the Company to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently.

The Company hereunder framing its KYC policies incorporating the following four key elements:

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

Customer Acceptance Policy (CAP)

- (i) Superior Finlease Limited (SFL) Customer Acceptance Policy lays down explicit criteria for acceptance of customers, ensures the following aspects of the customer relationship:
 - (ii) No account is opened in anonymous or fictitious / benami name(s);
 - (iii) Customers are all assessed for location of residence, business if any including type of clients and also the mode of transactions and payments.
 - (iv) Volume of turnover, social and financial status, etc. to enable categorization of customers into low, medium and high risk (these customers will require very high level of monitoring).
 - (v) Documentation requirements and other information collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of PML Act, 2002 and guidelines issued from time to time.
 - (vi) SFL will not open an account where it is unable to apply appropriate customer due diligence measures, i.e. where SFL is unable to verify the identity 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.
 - (vii) Checks against any notified list of the RBI, before accepting a customer, 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.

- (viii) SFL will prepare a profile for each new customer which contains 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 SFL. However, while preparing the customer profile, SFL will seek only such information from the customer which is relevant and is not intrusive. The customer profile will be a confidential document and details contained therein will not be divulged for cross selling or any other purposes.
- (ix) It is important to bear in mind that the adoption of Customer Acceptance Policy and its implementation will not result in denial of SFL's services to the general public.
- (x) Customer Acceptance Policy requires all customers to fill in KYC Form to capture the relevant data for all categories of customers and provide supporting documents as a part of customer identification process / KYC.

Customer Identification Procedure

- (i) The policy clearly spell out the Customer Identification Procedure to be carried out at different stages i.e. while establishing a business relationship; carrying out a financial transaction or when the Company has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data. Customer identification means identifying the customer and verifying the identity by using reliable, independent source documents, data or information. SFL will obtain sufficient information necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of business relationship. Being satisfied means that the Company must be able to satisfy the competent authorities that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place. Such risk based approach is considered necessary to avoid disproportionate cost to Company and a burdensome regime for the customers.
- (ii) Besides risk perception, the nature of information/ documents required would also depend on the type of customer (individual, corporate etc.).
- (iii) For customers that are natural persons, the Company will obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph.
- (iv) For customers that are legal persons or entities, the bank will (i) verify the legal status of the legal person/ entity 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.
- (v) The Company has framed its own internal guidelines based on their experience of dealing with such persons/entities, normal lender's prudence and the legal requirements as per established practices.

- (vi) The Company will take reasonable measures to identify the beneficial owner(s) and verify his/her/their identity in a manner so that it is satisfied that it knows who the beneficial owner(s) is/are. 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 guidelines issued by Reserve Bank of India from time to time.
- (vii) The documents requirements would be reviewed periodically as and when required for updating, keeping in view the emerging business requirements. Senior Official(s) in charge of the Policy are empowered to make amendments to the list of such documents required for customer identification in consultation with the sales and distribution channels and compliance.

Monitoring of Transactions

- (i) Ongoing monitoring is an essential element of effective KYC procedures. SFL can effectively control and reduce risk by having an understanding of the normal and reasonable activity of the customers. However, the extent of monitoring will depend on the risk sensitivity of the account. Since SFL being a Non Deposit Accepting NBFC will not have any deposit accounts, this situation will hardly arise, but SFL will in any case pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose, or transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer.
- (ii) SFL will put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures. SFL 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 (and the Amended Act, 2009). It will also ensure that transactions of suspicious nature and/or any other type of transaction notified under section 12 of the PML Act, 2002 (and the Amended Act, 2009), is reported to the appropriate law enforcement authority.

Risk Management

- (i) The Board of Directors of SFL has ensured that an effective KYC program is in place and has established appropriate procedures and is overseeing its effective implementation. The program covers proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility has been explicitly allocated to ensure that SFL's policies and procedures are implemented effectively.
- (ii) There will be risk profile prepared for each customer and enhanced due diligence measures will be applied on higher risk customers. SFL should take steps to identify and assess their ML/FT risk for customers, countries and geographical areas as also for products/ services/ transactions/delivery channels as prescribed.

- (iii) No deviations or exemptions shall normally be permitted in the documents specified for account opening. In case of any extreme cases of exceptions, concurrence of Policy section should be obtained duly recording the reasons for the same.
- (iv) The NBFC must be able to satisfy the competent authorities that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place.
- (v) SFL's Board through Audit Committee and loan processing Committee will directly evaluate and ensure adherence to the KYC policies and procedures, including legal and regulatory requirements.
- (vi) SFL has already ensured that the Sales, Operational and Credit staff are aware that no loan accounts will be created unless the KYC procedures are adhered to completely.
- (vii) Periodical review of risk categorization of customer accounts will be carried out. SFL will have a system of periodical updation of customer identification data (including photograph/s) after the account is opened.

Introduction of New Technologies

SFL pays special attention to any money laundering threats that may arise from new or developing technologies including on-line transactions that might favour anonymity and take measures, if needed, to prevent its use in money laundering schemes.

Appointment of Designated Director

"Designated Director" means a person designated by the reporting entity (bank, financial institution, etc.) to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and includes:-

- (i) the Managing Director or a whole-time Director duly authorized by the Board of Directors if the reporting entity is a company,
- (ii) the Managing Partner if the reporting entity is a partnership firm,
- (iii) the Proprietor if the reporting entity is a proprietorship concern,
- (iv) the Managing Trustee if the reporting entity is a trust,
- (v) a person or individual, as the case may be, who controls and manages the affairs of the reporting entity, if the reporting entity is an unincorporated association or a body of individuals, and
- (vi) such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above.

Explanation. - For the purpose of this clause, the terms "Managing Director" and "Whole-time Director" shall have the meaning assigned to them in the Companies Act. The name, designation and address of the Designated Director is to be communicated to the Director, FIU-IND on any new appointment or change.

In addition it is the duty of the Designated Director to observe the procedures and manner of furnishing and reporting information on transactions related to STR / CTR / CCR / NTR / CBWTR.

Appointment of Principal Officer

The NBFC should appoint a senior officer to be designated as Principal Officer for KYC/AML/CFT compliance. It should be ensured that the Principal Officer for KYC/AML/CFT compliance is able to act independently and report directly to the senior management. Principal Officer for KYC/AML/CFT compliance shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. The Principal Officer will maintain close liaison with enforcement agencies, banks and any other institution which are involved in the fight against money laundering and combating financing of terrorism.

Further, the role and responsibilities of the Principal Officer for KYC/AML/CFT compliance should 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.

The Principal Officer for KYC/AML/CFT compliance will also be responsible for timely submission of CTR / STR / CCR / NTR / CBWTR to FIU-IND.

With a view to enabling the Principal Officer for KYC/AML/CFT compliance to discharge his responsibilities effectively, the Principal Officer for KYC/AML/CFT compliance and other appropriate staff should have timely access to customer identification data and other CDD information, transaction records and other relevant information. The name, designation and address of the Principal Officer for KYC/AML/CFT is to be communicated to the Director, FIU-IND and the RBI on any new appointment or change.

Maintenance and Preservation of records

SFL has a system of maintaining proper record of transactions as required under Prevention of Money-Laundering Act and value of transactions, the procedure and manner of maintaining and verification and maintenance of records of the identity of the clients, as mentioned below:

- (i) all cash transactions of the value of more than Rs. 10 lakh or its equivalent in foreign currency;
- (ii) all series of cash transactions integrally connected to each other which have been valued below Rs. 10 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 Rs. 10 lakh;
- (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;
- (iv) all suspicious transactions whether or not made in cash and in manner as mentioned in the Rules framed by Government of India under the Prevention of Money Laundering Act , 2002.

SFL is required to maintain the following information in respect of transactions referred above: (i) the nature of the transactions; (ii) the amount of the transaction and the currency in which it was

denominated; (iii) the date on which the transaction was conducted; and (iv) the parties to the transaction.

SFL has an appropriate 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.

The necessary records of transactions, both domestic or international which permits 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 are maintained for at least ten years from the date of cessation of transaction between the SFL and the client.

All the 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.) 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 are made available to the competent authorities upon request.

SFL 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.

Maintenance of records/ transactions reporting to Financial Intelligence Unit- India (FIUIND) and its powers

Section 12 of the PMLA, 2002 casts certain obligations on the banking / NBFC companies in regard to preservation and reporting of customer account information. Accordingly, the bank shall maintain/report the following in this regard.

Information to be preserved: Bank / NBFC shall maintain all necessary information in respect of transactions referred to in PML Rule 3 to permit reconstruction of individual transaction, including the following information: i. the nature of the transactions; ii. the amount of the transaction and the currency in which it was denominated; iii. the date on which the transaction was conducted; and iv. the parties to the transaction.

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

Formats prescribed by RBI to be filed with FIU-ID from time to time in terms of Master Circular are altogether five reporting formats prescribed for a banking company viz. i) Manual reporting of cash transactions ii) Manual reporting of suspicious transactions iii) Consolidated reporting of

cash transactions by Principal Officer of the bank iv) Electronic data structure for cash transaction reporting and v) Electronic data structure for suspicious transaction reporting which are enclosed to this circular. The reporting formats contain detailed guidelines on the compilation and manner/procedure of submission of the reports to FIU-IND.

The FIU-ID, through FINGATE has also streamlined the reporting formats and comprehensive reporting format guide including the Report Generation Utility and Report Validation Utility developed to assist reporting entities in the preparation of prescribed reports. While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a misrepresented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation.

There are following below mentioned reporting which are filed with FIU-ID at FINGATE:

S.No.	Report	Description	Amount	Frequency and Due Date	Formats
1	Cash Transaction Reports (CTR)	All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency.	Rs. 10,00,000/-	Event Based and 15th day of the succeeding month	As Prescribed from time to time
2	Counterfeit Currency Reports (CCR)	All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month			
3	Non-Profit Organization Transaction Report (NTR)	All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions All transactions involving receipts by non-profit organizations of value more than Rs. Ten lakhs or, its equivalent in foreign currency			
4	Cross Border Wire Transfer	All cross border wire transfers of the value of	Rs. 5,00,000/-		

	Reports (CBWTR)	more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India.			
5	Report on sale/purchase of immovable property (IPR)	All purchase and sale by any person of immovable property valued at fifty lakh rupees or more that is registered by the reporting entity*, as the case may be.	Rs. 50,00,000/-	Event Based and 15th day of the month succeeding the quarter.	
6	Suspicious Transaction Reports (STR)	All suspicious transactions whether or not made in cash		Event Based and Not later than seven working days on being satisfied that the transaction is suspicious.	

In terms of the PMLA rules, the Company will report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address and portal

**Address Director, FIU-IND,
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat,
Chanakyapuri, New Delhi-110021**

Portal: <https://fiuindia.gov.in/>

The FIU-ID Powers: As per Section 13 of the Prevention of Money Laundering Act, 2002 confers following powers on the Director, FIU-IND to ensure compliance.

" Section 13 (1) The Director may, either of his own motion or on an application made by any authority, officer or person, call for records referred to in sub-section (1) of section 12 and may make such inquiry or cause such inquiry to be made, as he thinks fit.

Section 13 (2) If the Director, in the course of any inquiry, finds that a banking company, financial institution or an intermediary or any of its officers has failed to comply with the provisions contained in section 12, then, without prejudice to any other action that may be taken under any other provisions of this Act, he may, by an order, levy a fine on such banking company or financial institution or intermediary which shall not be less than Rs. 10,000 but may extend to Rs. 100,000 for each failure."

Suspicion of money laundering/terrorist financing

Whenever there is suspicion of money laundering or terrorist financing or when other factors give rise to a belief that the customer does not, in fact, pose a low risk, SFL should carry out full scale Customer Due Diligence (CDD) before opening an account.

Filing of Suspicious Transaction Report (STR)

SFL should not open an account (or should consider closing an existing account) when it is unable to apply appropriate CDD measures. It was clarified that in the circumstances when a NBFC believes that it would no longer be satisfied that it knows the true identity of the account holder, the Company should also file an STR with FIU-IND.