

Know Your Customer and Anti-Money Laundering Policy ("KYC and AML Policy")

Version: ABARC/ 2023-24/01

A.Document Owner, Version Control & Review Process

Particulars	Details
Version Control	This KYC-AML policy dated May 24, 2024 is the 1 st version of KYC policy of Aditya Birla ARC Ltd.
Version No.	ABARC/KYC AML Policy/Jan 2024/V1
Document owner(s)	Compliance Officer – Aditya Birla ARC Ltd
Process for any modification/revision	Regulatory changes: The Chief Executive Officer (CEO) will have the authority to carry out changes in the KYC-AML Policy on account of regulatory developments. Such changes to the KYC-AML Policy shall be subsequently placed before the Board of Directors. Other changes: Any changes other than Regulatory changes shall be carried out with the approval of the Board of Directors of ABARC.

B.Omnibus Clause

This Policy has been formed to comply with the directions issued by Reserve Bank of India (RBI) vide circular no. DBR.AML.BC.No.81/14.01.001/2015-16 as updated on October 17, 2023 (as may be updated from time to time by RBI) through which ARCs have been included to comply with Master Direction - Know Your Customer (KYC) Direction, 2016 (“**Circular**”). Accordingly, all extant & future master circulars/directions/guidelines/guidance notes issued by RBI from time to time would be the directing force for the KYC AML Policy of ABARC and will super cede the contents of this KYC AML Policy.

C.Objective

This Know Your Customer and Anti- Money Laundering Policy (“KYC-AML Policy”) has been divided into two broad sections – Know Your Customer guidelines and Anti Money Laundering norms. This policy sets out to standardize KYC documentation across ABARC and establish governing principles, broad guidelines, and standards to be adopted by the Company in order to protect itself from being used by any person to launder money.

Money laundering is the process by which persons with criminal intent or persons involved in criminal activity attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities, by routing the amounts through legitimate channels such as banks and financial institutions, thereby avoiding prosecution, conviction for such criminal activities.

The objective of KYC guidelines is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable the Company to know/understand its investors/ customers and their financial dealings better which in turn help them manage the Company’s risks prudently.

D.Effective Date

This Policy has become effective from the date of its approval by the Board and any subsequent amendments shall become effective from the date of approval of such amendment by the Board of Directors. All employees of ABARC are responsible for ensuring the effective implementation of this Policy.

KNOW YOUR CUSTOMER POLICY

1. Elements of KYC Policy

The KYC policy includes following four key elements:

- a. Customer Acceptance Policy
- b. Risk Management
- c. Customer Identification Procedures (CIP); and
- d. Monitoring of Transactions

2. Compliance of KYC Policy

ABARC shall ensure compliance of KYC-AML policy through:

1. Senior Management Team for the purpose of KYC compliance**
2. Allocation of responsibility for effective implementation of policies and procedures within the senior management
3. Independent evaluation of the compliance to the KYC-AML policy
4. Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures.
5. Submission of quarterly audit notes and compliance to the Audit Committee

**At ABARC “Senior Management Team” comprises of the Chief Executive Officer, Chief Financial Officer, Legal Head, Business Heads, Compliance Officer and such other officials that the CEO may designate from time to time depending upon their functional roles and responsibilities.

ABARC shall ensure that decision making functions of determining compliance with KYC norms are not outsourced.

3. Definitions

The terms used and not defined in this Policy shall have the same meaning as assigned to them in the Reserve Bank of India (Know Your Customer (KYC)) Directions, 2016, as amended from time to time.

1. **“Act” and “Rules”** means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto.
2. **“Authentication”**, in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, as amended from time to time.

3. **Beneficial Ownership (“BO”):**

- a. Where the customer is a **Company**, the BO is the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has/have a controlling ownership interest or who exercise control through other means.

Explanation: “Controlling ownership interest” means ownership of/entitlement to more than 10 percent of the shares or capital or profits of the company.

Explanation 2: “Control” shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

- b. Where the customer is a **partnership firm**, the BO is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 percent of capital or profits of the partnership.

- c. Where the customer is an **unincorporated association or body of individuals**, the BO is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 percent of the property or capital or profits of the unincorporated association or body of individuals.

Explanation: Term 'body of individuals' includes societies. Where no natural person is identified in any of the above non-individual entities, the BO is the relevant natural person who holds the position of senior managing official.

- d. Where the customer is a **Trust**, the identification of BO shall include identification of the author of the trust, the trustee, the beneficiaries with 10 percent or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.
4. **"Customer"** means a person who is engaged in a financial transaction or activity with a Regulated Entity (RE) and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting. For the purposes of this policy, Customer of ABARC shall include Selling Entities, lenders who are regulated entities under RBI and/or who are not regulated by RBI, Borrowers/Obligors, AIF registered with SEBI, FPI investors registered with SEBI.
 5. **"Central KYC Records Registry"** (CKYCR) means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.
 6. **Company** means "Aditya Birla ARC Limited".
 7. **Equivalent e-document:** means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016
 8. **Group:** The term "group" shall have the same meaning assigned to it in clause (e) of sub-section (9) of section 286 of the Income-tax Act, 1961 (43 of 1961).
 9. **Officially Valid Document ("OVD"):** means the passport, the driving licence, proof of possession of Aadhaar number, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address.
 10. **Politically Exposed Persons (PEPs):** are individuals who are or have been entrusted with prominent public functions by a foreign country including, Heads of States/ Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials.
 11. **"Principal Officer"** means an officer at the management level nominated by the RE, responsible for furnishing information as per rule 8 of the Rules.
 12. **"Regulated Entities" (REs)** means
 - a. all Scheduled Commercial Banks (SCBs)/ Regional Rural Banks (RRBs)/ Local Area Banks (LABs)/ All Primary (Urban) Co-operative Banks (UCBs) /State and Central Co-operative Banks (SCBs / CCBs) and any other entity which has been licenced under Section 22 of Banking Regulation Act, 1949, which as a group shall be referred as 'banks'
 - b. All India Financial Institutions (AIFIs)
 - c. All Non-Banking Finance Companies (NBFCs), Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non-Banking Companies (RNBCs)

- d. Asset Reconstruction Companies (ARCs)
- e. All Payment System Providers (PSPs)/ System Participants (SPs) and Prepaid Payment Instrument Issuers (PPI Issuers)
- f. All authorised persons (APs) including those who are agents of Money Transfer Service Scheme (MTSS), regulated by the Regulator.

4. Customer Acceptance Policy

ABARC shall ensure that:

- a. No customer is on boarded in anonymous or fictitious/benami name.
- b. No customer is on boarded where ABARC is unable to apply appropriate Customer Due Diligence (CDD) measures as defined in this policy.

Where, ABARC forms a suspicion of money laundering or terrorist financing, and reasonably believes that performing the CDD process will tip-off the customer, it shall not pursue the CDD process and instead file a suspicious transaction report ("STR") with FIU-IND.

ABARC is in the business of purchase of financial assets from Banks/Financial Institution (Selling Entity/Selling Entities) and resolution of the same through various strategies allowed under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act 2002). Through this process, we step into the shoes of Selling Entities and their concerned borrowers become our borrowers. These loans are originated by Selling Entities who are governed by the same Circular of RBI. It is reasonable to assume that the Selling Entities would have done KYC on such borrowers while onboarding them in their books of accounts. In view of this, in case of acquisition of financial assets from Selling Entity, ABARC shall endeavor to do KYC based on the information available with Selling Entity and/or may rely on the certificate and/or representation issued by the Selling Entity in this regard. Post acquisition of financial assets from Selling Entity, ABARC shall update the KYC records based on available information and will seek required details, if any, from the Borrower.

5. Risk Management - Customer Categorization

Customers shall be categorised based on their KYC risk assessment and risk perception of ABARC and categorised as low, medium and high-risk category. The risk categorisation of a customer and the specific reasons for such categorisation shall be kept confidential and shall not be revealed to the customer to avoid tipping off the customer.

Risk Category

ABARC has classified its customers based on the below mentioned risk categories as defined by RBI from time to time.

1. Low Risk includes below entities-
 - a. Selling Entities;
 - b. Lenders who are regulated entities under RBI;
2. Medium Risk includes below entities-
 - a. Borrower/Obligor who are operating and publishing their financial statements on a regular basis;
 - b. AIF registered with SEBI;
 - c. FPI investors registered with SEBI;
 - d. Lenders who are not regulated by RBI;
3. High Risk includes Borrowers/Obligor other than the Borrower/Obligor mentioned in point 2 (a) above.

6. Customer Identification Procedure (CIP) and Customer Due diligence (CDD)

Customer Due Diligence (CDD) means identifying and verifying the customer and the beneficial owner using reliable sources of identification.

Type of CDD documents

Documents to be collected from all the new/prospective customers are mentioned in **Annexure I**.

7. Monitoring of Transactions

The Company does not deal with such category of Customers who could pose a potential high risk of money laundering, terrorist financing or political corruption and are determined to warrant enhanced scrutiny. For the purpose of effective monitoring of KYC, ABARC shall adopt a risk-based approach for periodic updation of KYC as under:

1. For Low Risk customers, periodic updation of KYC to be done every 10 (ten) years;
2. For Medium Risk customers, periodic updation of KYC to be done every 5 (five) years;
3. For High Risk customers, periodic updation of KYC to be done every 2 (two) years;

ANTI-MONEY LAUNDERING POLICY

8. Anti-Money Laundering - Introduction

The Board of Directors of the Company shall be ultimately responsible for effective implementation of its KYC / AML program. All employees shall ensure complete compliance with the Policy and all extant procedures.

9. Appointment of Principal Officer and Designated Director

Designated Director

The Board of ABARC has appointed Mr. Sanjay Jain, the CEO as “Designated Officer” to ensure overall compliance with the anti-money laundering laws, regulations and policies under the PMLA Act and Rules made thereunder as amended from time to time.

Principal Officer

The Board of ABARC appointed Ms. Sucheta Chaturvedi, Compliance Officer as the “Principal Officer” who shall be responsible for ensuring day-to-day compliance with the anti-money laundering laws, regulations and policies.

Any change in details of the Principal Officer/ Designated Director shall be communicated to the Regulators within the timelines prescribed by them.

The role and responsibilities of the Principal Officer shall include the following but not limited to:

1. Overseeing and ensuring overall compliance with regulatory guidelines on KYC / AML issued from time to time and obligations under PMLA, rules and regulations made thereunder, as amended from time to time.
2. To formulate and review adequacy of AML systems and controls.
3. Monitoring of transactions, timely submission of various applicable reports & information to FIU-IND and regulators as per extant laws & regulations.
4. Liaison with enforcement agencies, banks and any other institution which is involved in the fight against money laundering and combating the financing of terrorism.
5. Principal Officer shall have timely access to AML / KYC / Countering Financing of Terrorism (CFT) related information in the Company. Principal Officer shall formulate procedures and manuals related to their function, and the same shall also have mention of roles and responsibilities.
6. The Audit Committee of the Board shall supervise the overall compliance with the Policy. The scope of internal audit of the Company shall also include testing of compliance with the AML / KYC Policy and procedures. Quarterly audit notes and compliance, as applicable shall be submitted to the Audit Committee.

10. Maintenance and Preservation of records of transactions

Following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provisions of PML Act and Rules.

1. The Company shall maintain all necessary records of transactions between the Company and the customer, both domestic and international, for at least ten years from the date of transaction;
2. Preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least ten years after the business relationship is ended;
3. Make available the identification records and transaction data to the competent authorities upon request;
4. Maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:
 - a) the nature of the transactions;
 - b) the amount of the transaction and the currency in which it was denominated;

- c) the date on which the transaction was conducted; and
 - d) the parties to the transaction.
5. 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;
 6. Maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 of the PMLA Rules, in hard or soft format.

11. DATA MANAGEMENT AND REPOSITORY

As required under Rule 10 of PML Rules, the Company shall preserve the KYC information / data of the customer obtained while onboarding customer and during the course of business relationship, for at least ten years after the business relationship is ended or account is closed, whichever is later. The Company shall have a system of maintaining and preserving all necessary information in respect of transactions, to permit reconstruction of individual transactions, including the following information but not limited to:

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

The Company shall retain certain records, e.g. customer identification, account files, and business correspondence, for periods which may exceed those required under KYC Master Direction, PMLA, other relevant legislations, rules and regulations or exchange bye-laws or circulars. In terms of the KYC Master Direction, records of all suspicious transactions, regulatory reports and due diligence/scrutiny conducted thereof shall be preserved for ten years. The Company shall co-operate with the regulators & designated law enforcement, local bodies and investigative agencies, as per extant laws and regulations.

12. Recruitment & Training

Adequate screening mechanism, including Know Your Employee / Staff policy, as an integral part of the personnel recruitment/ hiring process shall be put in place and suitable training programme shall be put in place for staff dealing with customers.

13. Allocation of Responsibility

The allocation of responsibilities under this Policy to various teams of ABARC is given below-

Sr No.	Process	Responsibility
1.	KYC Documentation	
	a. Borrower/Obligor	a. Business Team
	b. Lender	b. Finance & Accounts Team
	c. Investors	c. Compliance Team
2.	Periodic review of risk categorisation	CEO and Principal Officer
3.	Periodic compliance to the Audit Committee	Compliance Team
4.	Monitoring & Reporting Obligations	Compliance Team
5.	Information of Suspicious /attempted suspicious transactions to CEO/Principal Officer	All employees

CEO to supervise the above-mentioned responsibilities of all teams and employees of ABARC.

14. Confidentiality

The information in this policy is strictly confidential to the Company and should not be disclosed to any other person. It shall not be reproduced in whole, or in part, nor any of the information contained therein be disclosed without the prior consent of the Compliance Officer. Any form of reproduction, dissemination, copying, disclosure, modifications, distribution and / or publication of this material is strictly prohibited.

15. Review

This policy would be reviewed in every two years taking into account the various amendments to guidelines and regulations (if any), business models and would be placed to Board for their approval. However, if there are any substantial changes in the guidelines by regulators, before the annual cycle, the Company would take necessary steps and review the policy.

Annexure I -

A. List of Documents to be obtained for low risk category customers

1. Any Corporation incorporated under any special statute, like Public Sector Undertaking Banks	No KYC, as they are constituted by the Central Government/State Government vide special statute and/or are regulated by the regulator.
2. Any private sector Bank/NBFC/financial institution	No KYC as they are regulated by RBI and are themselves categorised as Regulated Entity by the regulatory body.

B. List of Documents to be obtained for high risk category customers

1. Borrower Company	<p>For Obligors/Borrowers whose accounts are being taken over by ABARC from Selling Entities vide assignment agreements, ABARC to rely on CDD done by Selling Entities or C-KYC records. We shall update the KYC records and obtain following documents.</p> <ol style="list-style-type: none">i. Certificate of incorporation;ii. Memorandum and Articles of Association;iii. Permanent Account Number of the company;iv. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf to borrow money from the Selling Entity;v. one copy of officially valid document and Permanent Account Numbers or Form 60 as defined in the Income-tax Rules, 1962, issued to authorised signatories to transact on the company's behalf to borrow money from the Selling Entity;vi. The names of the relevant persons holding senior management position;vii. The address of registered office and the principal place of its business, if it is different;viii. Shareholding pattern of the company;ix. FATCA declaration as required under applicable regulations. <p>Note: Since ABARC is doing business only related to corporate accounts and not retail accounts, KYC documents required for corporate Borrower are only mentioned.</p>
2. AIF and FPI Investors,	<ol style="list-style-type: none">(i) registration certificate;(ii) trust deed;(iii) Permanent Account Number or Form No 60 of the trust(iv) one copy of officially valid document and Permanent Account Numbers or Form 60 as defined in the Income-tax Rules, 1962, issued to managers, officers or employees holding an attorney to transact on the company's behalfv) The names of the beneficiaries, trustees, settlor, and authors of the trustvi) The details of registered office of the trust, andvii) list of trustees and KYC documents for those discharging the role as trustee and authorised to transact on behalf of the trustviii) FATCA declaration

3. Listed MLD/NCD/Other debenture holders	Listed NCD/MLDs will be issued by ABARC only in dematerialised form. As per prescribed norms laid by SEBI, the Depository Participant (DP) with whom the investor maintains their demat account, carries out their KYC verification accordingly. In view of this, ABARC will rely on the KYC done by the DP.
4. Lenders who are not regulated entity (other than Listed MLD/NCD/Other debenture holders)	<p>A. Related Party as per Section 2 (76) of the Companies Act, 2013</p> <ol style="list-style-type: none"> i) PAN ii) Bank details in the form of cancelled cheque copy/bank letter/System generated Invoice on which bank details are mentioned <p>B. Other than Related Party-</p> <ol style="list-style-type: none"> i) incorporation documents; ii) Permanent Account Number or Form No 60; iii) one copy of officially valid document and Permanent Account Numbers or Form 60 as defined in the Income-tax Rules, 1962, issued to managers, officers or employees holding an attorney to transact on the lender's behalf; iv) The names of the beneficiaries, trustees, settlor, and authors of the trust, if applicable; v) list of trustees and KYC documents for those discharging the role as trustee and authorised to transact on behalf of the trust, if applicable; vi) FATCA declaration

For KYC of Authorised Signatories of legal entities, PAN Card and Aadhar Card is mandatory.

Annexure II - CDD Procedure and sharing KYC Information with CKYC

ABARC shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer in line with the Operational Guidelines issued by CERSAI. ABARC through the Principal Officer shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, for 'Individuals' (accounts opened after April 1, 2017) and 'Legal Entities' (LEs) (April 1, 2021), as per the KYC templates.

Once KYC Identifier is generated by CKYCR, ABARC shall communicate the same to the individual/legal entity. In order to ensure that all KYC records are incrementally uploaded on to CKYCR, ABARC shall upload/ update the KYC data pertaining to accounts of individual customers and legal entities opened prior to the above-mentioned dates at the time of periodic updation, or earlier, when the updated KYC information is obtained/received from the customer.

Where a customer submits KYC Identifier, with an explicit consent to download records from CKYCR, ABARC shall retrieve the KYC records online from the CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless –

- i. there is a change in the information of the customer as existing in the records of CKYCR.
- ii. the current address of the customer is required to be verified.
- iii. ABARC considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.
- iv. the validity period of documents downloaded from CKYCR has lapsed.

