

GrowXCD Finance Private Limited	
POLICY	KNOW YOUR CUSTOMER (KYC) AND ANTI MONEY LAUNDERING (AML)
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In terms of the provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of MoneyLaundering (Maintenance of Records) Rules, 2005, Regulated Entities (REs) are required to follow certain customer identification procedure while undertaking a transaction either by establishing an account based relationship or other business relationship, and monitor their transactions. Accordingly, the Reserve Bank of India in the public interest has issued Master Direction - Know Your Customer (KYC) Direction, 2016 to be followed by all REs. This KYC and AML Policy has been prepared in line with the [RBI Master Direction - Know Your Customer \(KYC\) Direction, 2016 \("RBI Direction"\)](#).

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

Introduction

Money laundering is the act of converting money or other monetary instruments gained from illegal activity into money or investments that appear to be legitimate so that an illegal source cannot be traced. For the purposes of the Policy, money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have been derived from legitimate origins or constitute legitimate assets.

The 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 the Board of Directors or by any committee of the Board to which power has been delegated. This policy document has been prepared in line with the RBI Direction. The obligations of NBFCs are also explained in the [Master Circular – 'Know Your Customer' \(KYC\) Guidelines – Anti Money Laundering Standards \(AML\) - 'Prevention of Money Laundering Act, 2002 - Obligations of NBFCs in terms of Rules notified thereunder'](#).

GrowXCD Finance Private Limited (GXPL) is focused on meeting the financial needs of the micro, small and medium enterprises (MSME) in India, which has remained largely underserved despite several initiatives. Accordingly, in compliance with the guidelines issued by RBI from time to time, the following KYC & AML policy of GrowXCD Finance Private Limited (herein after referred to as 'Company') is approved by the Board of Directors. This policy is applicable to all categories of products and services offered by the Company. The above guidelines shall be followed by every branch, office, official, employee, service provider, attorney, or any other delegated authority acting or conducting business on behalf of the Company.

The policy shall come into force with effect from May 15, 2023.

Compliance with KYC/AML policies and procedures shall be subject to internal audit review. The Company shall submit quarterly audit notes and compliance to the Audit Committee (or) Board.

The 'Senior Management' who is responsible for KYC compliance is the Managing Director of the Company.

Key Definitions

Beneficial Owner (BO)

- a. Where the customer is a company, the beneficial owner 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- For the purpose of this sub-clause

1. “Controlling ownership interest” means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of the company.
 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 beneficial owner 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 per cent of capital or profits of the partnership.
- c. Where the customer is an unincorporated association or body of individuals, the beneficial owner 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 per cent 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 under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.
- d. Where the customer is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% 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.

Customer: For the purpose of the Company KYC policy a ‘Customer’ means a Person defined under the KYC policy of RBI, and will include:

- A legal entity that maintains an account and/or has a business relationship with the Company;
- One on whose behalf the business relationship is maintained (i.e. the beneficial owner as stated in the RBI Direction);
- Clients introduced to Company by professional intermediaries such as arrangers/agents; however, such arrangers/agents will not be considered customers.

Customer Due Diligence (CDD) - Identifying and verifying the customer and the beneficial owner using ‘Officially Valid Documents (OVD)’ as a ‘proof of identity’ and a ‘proof of address’

Customer identification – means undertaking the process of CDD.

Central KYC Records Registry: “Central KYC Records Registry” (CKYCR) means an entity defined under Rule 2 (1) (aa) of the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

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.

Officially Valid Document (OVD):

Any one of the Passport, Driving license, PAN card, Voter ID / Election ID card, Job card issued by NREGA duly signed by an officer of the State Government, and Aadhaar Card / letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number. A document shall be deemed to be an OVD even if there is a change in the customer's name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.

Provided that where 'simplified measures' are applied for verifying the identity of the customers the following documents shall be deemed to be OVD:

- i. identity card with applicant's photograph issued by Central/ State Government Departments, Statutory/ Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions;
- ii. Letter issued by a Gazetted officer, with a duly attested photograph of the person.
Provided further that where 'simplified measures' are applied for verifying, for the limited purpose of, proof of address the following additional documents are deemed to be OVDs:
 - i. Utility bill, which is not more than two months old, of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
 - ii. Property or Municipal Tax receipt;
 - iii. Bank account or Post Office savings bank account statement;
 - iv. Pension or family Pension payment orders (PPOs) issued to retired employees by Government Departments or PSUs, if they contain address.
 - v. Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation; and
 - vi. Documents issued by Government departments of foreign jurisdictions or letter issued by Foreign Embassy or Mission in India.

Person - means and includes:

- a) an Individual
- b) A Hindu Undivided Family,
- c) A Company
- d) A Firm
- e) an association of persons or a body of individuals, whether incorporated or not,
- f) every artificial juridical person, not falling within any one of the above persons (a to e), and

g) any agency, office or branch owned or controlled by any of the above persons (a to f)

Principal Officer means an officer nominated by the Company for ensuring compliance, monitoring transactions, sharing and reporting information as required under the law/ regulations, and responsible for communicating and furnishing information to FIU-IND under PML Rules.

Designated Director means a person so designated by the Board to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules there under and shall include the Managing Director or a whole-time Director (as defined under the Companies Act, 2013) duly authorized by the Board. Any change in the name, designation or address of the Designated Director will be notified to the FIU-IND.

Politically Exposed Person (“PEP”): PEPs are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.

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. The policies and procedures delineated in this document, with the aforementioned aim, shall comprise the customer due diligence process from KYC perspective.

Therefore, this policy shall:

- Lay down explicit criteria for acceptance of customers.
- Establish procedures to verify the bona-fide identification of portfolio companies and its key persons.
- Develop measures for conducting due diligence in respect of customers and reporting of such transactions.

This policy includes the following four key elements:

- Customer Acceptance Policy;
- Risk Management;
- Customer Identification Procedures; and
- Monitoring of Transactions

Customer Acceptance Policy

The Company shall ensure the following while accepting and dealing with its customers: a)

No account is opened in anonymous or fictitious/benami name.

b) No account is opened where the company is unable to apply appropriate CDD (Customer Due Dilligence) measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.

- c) No transaction, including opening of an account, is undertaken without appropriate CDD (Customer Due Diligence).
- d) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- e) 'Optional'/additional information, is obtained with the explicit consent of the customer after the account is opened.
- f) If an existing, KYC-compliant customer desires to open another loan account, there shall be no need for a fresh due diligence exercise from the KYC perspective.
- g) Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out. In the case of the Company, clients may use professional intermediaries to reach out to the Company. The Company does not open accounts directly for intermediaries. The ultimate responsibility of knowing the client lies with the Company.
- h) Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in either of the two sanctions lists mentioned in this document, under the section on "Monitoring and Reporting of Transactions".

The intent of the Policy is not to result in denial of financial services to general public, especially to those, who are financially or socially disadvantaged. While carrying out due diligence, the Company will ensure that the procedure adopted does not result in denial of services to any genuine customers.

Customer Identification Procedures

Customer identification means identifying the customer and verifying his / her identity by using reliable and independent source of documents, data or information to ensure that the customer is not a fictitious person. The Company shall obtain sufficient information necessary to establish, to its satisfaction, the identity of each customer and the purpose of the intended nature of business relationship.

The Company shall undertake identification of customers in the following cases:

- (a) Commencement of an account-based relationship with the customer.
- (b) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.

The Company will perform appropriate, specific and where necessary, Enhanced Due Diligence on its customers that is reasonably designed to know and verify the true identity of its customers and to detect and report instances of criminal activity, including money laundering or terrorist financing. The procedures, documentation, types of information obtained and levels of KYC due diligence to be performed will be based on the level of risk associated with the relationship (products, services, business processes, geographic locations) between the Company and the customer and the risk profile of the customer. The Company shall take reasonable measures to ascertain and verify the true identity of all customers who transact with the Company. Each business process shall design and implement specific due diligence standards and procedures that are appropriate given the nature of the respective

businesses, customers and the associated risks. Such standards and procedures shall include, at a minimum, the following elements

Other Guidelines to be followed during the Borrower Identification procedures:

- a. Decision-making functions of determining compliance with KYC norms shall not be outsourced.
- b. Introduction shall not be sought while making loan.
- c. The Borrower shall not be required to furnish an additional OVD, if the OVD submitted by the Borrower for KYC contains both proof of identity and proof of address.
- d. The legal entity shall be required to furnish separate proof of correspondence address, if it is different from the address recorded in the official registration document such as certificate of incorporation. Such proof of correspondence address for a legal entity may include utility bills, lease agreement, etc.
- e. For the individuals (e.g. authorized signatories and beneficial owners), the current address for which their OVD proof of address is not available, shall be verified through utility bill, property or Municipal tax receipt, pension or family pension payment orders (PPOs) issued by Government Departments or Public Sector Undertakings, letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies, and leave and license agreements with such employers allotting official accommodation.

The collection of data on the Borrower shall be the primary responsibility of the Business Team of the Company and the required data as per formats prescribed in this policy shall be collected without fail. Review of this information is the responsibility of the Company Secretary/Compliance Officer. The Borrower may also be requested to resubmit information annually or give a declaration in case there is no change in the aforesaid information.

Periodic updation shall be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers.

Monitoring and reporting of Transactions

Ongoing monitoring is an essential element of effective KYC procedures. The background and purpose of transactions should be assessed and if the transactions have no apparent economic or visible lawful purpose, the background and purpose of such transactions should, as far as possible, be examined further. Based on an understanding of the normal and reasonable activity of the Borrower, the business divisions will watch for and identify transactions that may fall outside the regular/pattern of activity. Special attention will be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose.

Any transactions of suspicious nature or cash transaction reports should be brought to the attention of the Principal Officer, who will duly report such matters to Director, Financial Intelligence Unit- India (FIUIND).

In case the Borrower requests disbursements to an account in a country that is classified by the Financial Action Task Force as high risk or other monitored jurisdiction, then prior to proceeding with the transaction, the Company shall apply enhanced due diligence measures as required, to determine the legitimacy of the transaction. Primarily, Company disburses money to accounts registered within India.

The Company shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as required by the revised KYC templates prepared for 'individuals' and 'Legal Entities' as the case may be.

Confidentiality

KYC information collected from the Borrower shall be treated as confidential and details thereof are not to be divulged for cross selling or any other like purposes. The Company shall ensure that information sought from the Borrower is relevant to the perceived risk, is not intrusive and is in conformity with the guidelines issued by RBI in this regard. If an individual submits Aadhaar number, the Company shall ensure such customer to redact or blackout their Aadhaar number through appropriate means.

Disbursement of Funds

The Company shall ensure that any remittance of funds to Borrowers for any amount is undertaken via cheques, NEFT, RGTS, IMPS, ECS or wire transfers and not in the form of cash.

Risk Management

"Risk Management" in the present context refers to money laundering, terrorist funding risk, credit, and financial risks associated with a particular customer from the Company's perspective. This risk is based on risk perceptions associated with customer profile and level of risk associated with the product & channels used by the customer.

For Risk Management, the Company shall have a risk based approach.

- a. The Company's Borrower shall be categorized based on perceived risk, into three categories - high, medium & low.
- b. None of the entities will be exempted from the Company's KYC procedures, irrespective of the status and relationship with the Company or promoter/s. The above requirement may be moderated according to the risk perception.
- c. The parameters such as customer's identity, social/ financial status, nature of the business activity, and information about the clients' business and their location, etc. shall be considered for the risk assessment.
- d. The ability to confirm identity documents through online or other services offered by issuing authorities shall also be factored in determining the risk category of the customer.

- e. The various other information collected about different categories of customers relating to the perceived risk, is non-intrusive and in accordance with this Policy.

Risk Categorization:

- The Company has a system in place for periodical updation of customer identification data after the account is opened. The periodicity of such updation is not less than once in five years in case of low risk category customers and not less than once in two years in case of high and medium risk categories.
- All the customers under different product categories are categorized into low, medium and high risk based on their profile. The Credit manager while appraising the transaction and rendering his approval prepares the profile of the customer based on risk categorization.
- Based on the credit appraisal, customer's background, nature and location of activity, country of origin, sources of funds, client profile, etc., Where the credit head believes that a particular customer falling under a category mentioned below is in his judgment falling in a different category, he may categorize the customer, so long as appropriate justification is provided in the customer file.

Indicative List of Risk Categorization:**Low Risk Category**

Individuals (other than High Net Worth) 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 is categorized as low risk. (In all probabilities the Company is doing and will continue to do their business with such category of customers)

For example:

- People belonging to lower economic strata of the society whose accounts show small balances and low turnover
- Salaried employees whose salary structure is well-defined.
- Government Department and Government owned companies, regulators and statutory bodies.
- Self employed

Medium & High Risk Category

Customers who are likely to pose a higher-than-average risk may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc.

Illustrative examples are:

1. Non Resident customers
2. High Net worth Individuals
3. Trust, charities, NGO's and Organization receiving donations
4. Companies having close family shareholding or beneficial ownership
5. Firms with 'sleeping partners'

6. Politically Exposed Persons (PEPs) of Indian/Foreign Origin
7. Those with dubious reputation as per public information available
8. Accounts of bullion dealers and jewellers

The Company shall conduct the money laundering and terrorist financing Risk Assessment at least once in a year or at such other intervals as may be decided by the Board.

The outcome of the ML and TF Risk Assessment will be put up to the Audit Committee.

On a six monthly basis, there shall be a periodic review of risk categorization of accounts. The Company shall undertake enhanced due diligence measures in case of customers classified as high risk, as may be warranted.

CUSTOMER DUE DILIGENCE PROCEDURE:

I. IDENTIFICATION:

The company shall obtain the following information from an individual while establishing an account based relationship with:

A. Individual

1. Aadhaar Number (where an Aadhaar number has not been assigned to an individual, proof of application of enrolment for Aadhaar shall be obtained wherein the enrolment is not older than 6 months and in case PAN is not submitted, certified copy of an OVD containing details of identity and address and one recent photograph shall be obtained. At the time of receipt of the Aadhaar number, shall carry out, with the explicit consent of the customer, e-KYC authentication (biometric or OTP based) or Yes/No authentication)
2. Permanent Account Number (PAN)
3. Passport
4. Voter's Identity Card
5. Driving License
6. Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of the Company.

The information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.

B. Proprietary Firms

1. Aadhaar Number (where an Aadhaar number has not been assigned to an individual, proof of application of enrolment for Aadhaar shall be obtained wherein the enrolment is not older than 6 months and in case PAN is not submitted, certified copy of an OVD containing details of identity and address and one recent photograph shall be obtained. At the time of receipt of the Aadhaar

number, shall carry out, with the explicit consent of the customer, e-KYC authentication (biometric or OTP based) or Yes/No authentication)

2. Permanent Account Number (PAN)
3. Registration Certificate
4. Certificate/licence issued by the municipal authorities under Shop and Establishment Act.
5. Sales and income tax returns.
6. CST/VAT/ GST certificate (provisional/final).
7. Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.
8. Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities.
9. Utility bills such as electricity, water, and landline telephone bills
10. Telephone/Fax number/E-mail ID;
11. Recent color photograph

In cases where the Company is satisfied that it is not possible to furnish two such documents, the Company may, at their discretion, accept only one of those documents as proof of business/activity.

Provided the Company undertake contact point verification and collect such other information and clarification as would be required to establish the existence of such firm, and shall confirm and satisfy itself that the business activity has been verified from the address of the proprietary concern.

C. Company

1. Certificate of incorporation
2. Memorandum and Articles of Association.
3. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf.
4. Identification information i.e. Aadhaar Card and PAN Card in respect of managers, officers or employees holding an attorney to transact on its behalf.

D. Partnership Firms

1. Registration certificate
2. Partnership deed
3. Identification information i.e. Aadhaar Card and PAN Card in respect of managers, officers or employees holding an attorney to transact on its behalf.

E. Trust

1. Registration certificate
2. Trust deed.
3. Identification information i.e. Aadhaar Card and PAN Card in respect of managers, officers or employees holding an attorney to transact on its behalf.

F. Unincorporated association or body of individuals:

1. Resolution of the managing body of such association or body of individuals

2. Power of attorney granted to him to transact on its behalf
3. An officially valid document in respect of the person holding an attorney to transact on its behalf.
4. Such information as may be required by the bank to collectively establish the legal existence of such an association or body of individuals

The Company also ensures that all the customers namely applicant, co applicants and guarantor has valid ID proof as prescribed above.

1. The Credit Head of Company has the power to approve the following document:

- **In-lieu of ID and address proof :**

A certificate from the public authority (i.e) Gazette Officer of State or Central Govt./Magistrate/MRO/VRO/Gram Panchayat Sarpanch/notary public.

- **In-lieu of identity proof:**

Notarized copy of Marriage certificate with the applicant photograph.

- **In lieu of address proof:**

Rental agreement along with rent receipt and utility bill of the Landlord.

In case the customer has a temporary address being a transit arrangement provided by real estate builder – Allotment letter issued by the builder plus permanent address proof

In deserving cases where there is no address proof for one of the applicants or guarantors, an affidavit signed by Close Relative (only in case of spouse, parents or children) confirming that the co applicant / guarantor is staying together in the same address.

2. The Credit Head of Company jointly with the concerned Sales Head has further delegated the approval powers to accept the above documents to credit managers, as they may deem fit and necessary, in this regard.
3. In the event of any genuine reason for non-availability of any of the prescribed documents or to approve any deviations for change in the documents prescribed under this policy, the Credit Head jointly with the Sales Head considers approving any other document not stated above based on the product, market requirements and also on the merits of the case.

Hiring and Training of Employees

The Company shall ensure that an adequate screening mechanism is an integral part of personnel recruitment/hiring process. Additionally, the Company shall also ensure on-going employee training programme for staff to be trained in AML/CFT policy. The focus of the training may differ based on the employee's role.

Updation in KYC Policy of Company

The Board of Directors 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's requirements / updates / amendments from time to time.

Maintenance and Preservation of records

The Company shall take appropriate steps to ensure the maintenance and preservation of account or business relationship information and transaction, in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. Records pertaining to the identification of the Borrower and their address, and well as records of transactions, shall be preserved in line with the RBI Direction and as mentioned in the Policy for Preservation of Documents.