

**"KNOW YOUR CUSTOMER" (KYC) &  
PREVENTION OF MONEY LAUNDERING ACT (PMLA) POLICY**

**(I) PREAMBLE:**

Reserve Bank of India (RBI) on February 25, 2016 (bearing Ref no. **RBI/DBR/2015-16/18 DBR.AML.BC. No.81/14.01.001/2015-16**) notified the Know your customer (KYC) Directions, 2016 (**KYC Directions, 2016**), inter alia, directing that every Regulated Entity shall have a Know your customer (KYC) Policy duly approved by the Board of Directors. These directions have been issued by the RBI in terms of the provisions of Prevention of Money-Laundering Act, 2002 (**PMLA**) and the Prevention of Money-Laundering (Maintenance of Records) Rules 2005.

IFIN Securities Finance Limited (ISFL) is essentially a Loan company. It is engaged in the business of lending to individuals & corporates. It is categorized as a Systemically Important Non-deposit taking NBFC (Regulated Entity as defined under these Directions).

**(II) OBJECTIVES:**

- i. To put in place systems and procedures to help control financial frauds, identify money laundering and suspicious activities and safeguarding the company from being unwittingly used for transfer or deposit of funds derived from criminal activity or for financing of terrorism;
- ii. To put in place systems and procedures for customer identification and verifying his / her identity and residential address; and
- iii. To monitor transactions of a suspicious nature.

**(III) DEFINITION OF CUSTOMER:**

**For the purpose of this KYC & PMLA policy,**

**1. A Customer is:**

- i. A person or entity that maintains an account and/ or has a business relationship with the company in respect of lending and investments and this includes individuals, companies, partnership firms, banks, mutual funds, Limited Liability Partnerships, unincorporated entities, trusts and / or overseas corporate bodies and in respect of its wind power business, its suppliers, vendors and consumers in any capacity, whether as an individual or otherwise as explained herein;
- ii. Beneficial owner(s) of the above said entities;
- iii. Professional intermediaries, such as stock brokers, chartered accountants and solicitors as permitted under law; or
- iv. Any other person or entity connected with a financial transaction, which can pose significant reputational or other risks to the company.

**(III) PROCEDURE FOR CUSTOMER IDENTIFICATION & ACCEPTANCE & OTHER MATTERS:**

- i. The facility is, envisaged for clients sourced by ISFL directly and clients referred by empanelled channel partners of ISFL.
- ii. 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.
- iii. (a) Identification through offline mode:  
ISFL through its authorised officials shall carry out in person verification of the customer and documents by visiting the premises of the borrower (residence/ office/ Registered office / or any other place where the borrower normally carries on his business). The  
  
(b) Video Based Customer Identification Procedure (V-CIP) for individuals:

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Where ISFL is unable to carry out identification of the customer through physical inspection, ISFL shall carry out identification of the customer through V-CIP. The V-CIP procedure as stipulated in Para 18 of Master Directions – Know Your Customer (KYC) Direction , 2016.

- iv. The company shall ensure that its customer is not a fictitious person by verifying the identity of the customer through documentation and shall also carry out necessary checks, so as to ensure that the identity of the customer on the basis of the documents obtained does not match with any person with known criminal background or with banned entities, such as individual terrorists or terrorist organizations. The company shall periodically monitor its customer base with the RBI circulars and information providing such lists of terrorists or terrorist organizations.
- v. The company may collect such documents and other information in respect of different categories of its customers depending on perceived risk and keeping in mind the requirements of Prevention of Money Laundering Act, 2002 and guidelines issued by the RBI from time to time. Besides risk perception, the nature of information / documents required would also depend on the type of the customer (individual, corporate etc.)
- vi. The company may prepare a profile for each new customer based on risk categorization. The customer profile may contain information relating to customer's identity, profile, social / financial status and nature and location of its business activity. The individual limits for each customer shall be fixed based on the borrower profile. Where the customers are recommended by empaneled partners of ISFL, the customers shall be introduced by the respective sourcing officer of the empaneled partner or its authorized representatives for KYC purposes , along with the recommended credit limits. However, the loan/ facility shall be sanctioned by the appropriate sanctioning authority as defined in the lending policy of the company

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- vii. The approved securities for this facility would be from the list of approved list of ISFL , as may be amended from time to time, for the purpose of margin financing and Loan Against Securities in accordance with the lending policy of ISFL.
- viii. There are certain indicative guidelines issued by RBI from time to time for customer identification requirements with regard to matters, such as `Trust / Nominee or Fiduciary Accounts, Accounts of companies & firms, Client Accounts opened by professional intermediaries, Accounts of Politically Exposed Persons resident outside India and Accounts of non face-to-face customers and these guidelines may also be adhered to, to the extent applicable.
- ix. Decision to deal with politically exposed persons or individuals, who are or have been entrusted with prominent public functions in a foreign country e.g. heads of states or of governments, senior politicians, senior government / judicial / military officers, senior executives of state owned corporations, important political party officials etc. as a customer shall be taken up at a senior management level and shall be subjected to enhanced monitoring.
- x. All sanctioned limits shall generally be valid for a period mentioned in the Lending Policy/ actual period of sanction whichever is less from the date of initial sanction and the facility can be suspended by the company at any time before the expiry of the sanction if the customers do not comply with the terms of sanction or based upon the general economic conditions in the best interests of the company
- xi. (i) The Company is required to initiate steps for allotting Unique Customer Identification Code (UCIC) to all their customers.  
(ii) In order to reduce the risk of identity fraud, document forgery and have paperless KYC verification, UIDAI has launched its e-KYC service. Accordingly, it has been decided to accept e-KYC service as a valid process for KYC verification under Prevention of Money Laundering (Maintenance of Records) Rules, 2005.  
(iii) The Company would need to continue to carry out on-going due diligence with respect to the business relationship with every client and closely examine the

transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and, wherever necessary, the source of funds.

(iv) Full KYC exercise will be required to be done at least every two years for high risk individuals and entities.

(v) Full KYC exercise will be required to be done at least every ten years for low risk and at least every eight years for medium risk individuals and entities taking into account whether and when client due diligence measures have previously been undertaken and the adequacy of data obtained. Physical presence of the clients may, however, not be insisted upon at the time of such periodic updates.

(vi) All client's KYC details to be uploaded to CERSAI (CKYC) as per Regulatory guidelines.

- xii. The documents to be collected for identification of the customers shall be as per the documents contained in its lending policy. (list of documents as appearing in the lending policy annexed hereto)

**(IV) CEILING & MONITORING OF TRANSACTIONS:**

- i. The company normally does not and would not have cash transactions. All payment / receipts would be made to the clients, only in the designated bank account already registered with the company.
- ii. The company shall monitor transactions of a suspicious nature on an ongoing basis for the purpose of reporting it to the appropriate authorities. The extent of monitoring by the Company will depend on the risk sensitivity of the account and special attention will be given to all complex unusually large transactions, which have no apparent economic or lawful purpose.
- iii. The company shall promptly report transactions of a suspicious nature to the appropriate regulatory and investigating authority.

**(V) RISK MANAGEMENT:**

For risk management, ISFL shall have a risk based approach which includes the following:

(a) Customers shall be categorised as low, medium and high risk category, based on the assessment and risk perception.

(b) Risk categorisation shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the clients' business and their location etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

The following process shall be adopted in order to contain various risks involved in its day to day operations –

1. **Eligibility Norms:** The facility will be provided only –

- a. To clients appraised and approved .
- b. For the securities as approved .
- c. For the purpose as mentioned in the agreement
- d. On completion of the entire documentation.
- e. On receipt of the requisite Margins from the Client.
- f. Up to the limits approved and set for the respective clients.

2. The Selection of Approved Securities and the associated margins will be based on the risk parameters as defined in the lending policy of the company

**(VI) CUSTOMER & STAFF EDUCATION:**

The frontline investment and lending and operating managers shall be fully equipped with the compliance requirements of KYC guidelines in respect of new customer acquisition and shall adhere to the Customer Identification & Acceptance procedure as above. The rationale of KYC guidelines shall be updated periodically to new staff

members also on an ongoing basis. The company shall also prepare an information data file compiling all relevant particulars of its customers, which may be of a personal nature. The said data shall also comprise all related KYC information in respect of existing and past customers.

**(VII) SUSPICIOUS TRANSACTION**

Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith –

- (a) gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- (b) appears to be made in circumstances of unusual or unjustified complexity; or
- (c) appears to have no economic rationale or bonafide purpose.

Broad categories of reason for suspicion and examples of suspicious transactions are indicated as under:

- a) Identity of client
  - False identification documents
  - Identification documents which could not be verified within reasonable time
  - Accounts opened with names very close to other established business entities
- b) Background of client
  - Suspicious background or links with known criminals Multiple accounts
  - Large number of accounts having a common account holder, introducer or authorized signatory with no rationale
  - Unexplained transfers between multiple accounts with no rationale
- c) Activity in accounts
  - Unusual activity compared with past transactions
  - Sudden activity in dormant accounts
  - Activity inconsistent with what would be expected from declared business
- d) Nature of transactions

- Unusual or unjustified complexity
  - No economic rationale or bonafide purpose
  - Frequent purchases of drafts or other negotiable instruments with cash
  - Nature of transactions inconsistent with what would be expected from declared business
- e) Value of transactions
- Value inconsistent with the client's apparent financial standing

**Suspicious transactions shall be reported immediately to the principal officer of the company:**

**Name:** Shri B Dhiwakar

**Designation:** Assistant Vice- President

**Phone:** 044 2830 6600

**Email:** [dhiwakar@isflonline.com](mailto:dhiwakar@isflonline.com)

The Managing Director/Whole-time Director of the company and the Principal Officer shall take necessary steps to advise their concerned staff about the importance of compliance with above KYC & PMLA norms for depositors and borrowers, as the case may be.

In addition to the guidelines given under the aforesaid Policy, the company may also stipulate other guidelines through its Investment Policy & other policy documents and the same are also to be adhered to.

**(VIII) "Designated Director" of the Company**

In terms of KYC Norms & Anti Money Laundering Standards - PMLA, 2002, ISFL has nominated Managing Director /COO & Whole-time Director as the "Designated Director" of the Company to ensure compliance with the obligations under the Prevention of Money Laundering (Amendment) Act, 2012.

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**List of documents required for sanction of credit facilities**

ISFL shall require the following documentation for credit facility:

**a) MARGIN FUNDING**

*I) Document Required - Margin Funding (Retail Individual) for credit limit upto Rs. 20 lakh*

S. No	Particulars
	<b>Pre-Sanction</b>
1	Self-attested copy of PAN Card , Aadhaar Card and bank statement for the last 3 months of the borrower. The same set needs to be collected for co-borrower/ guarantor wherever applicable.
2	<b>Post-Sanction</b>
3	Postdated Cheque for the Loan sanction amount in favour of ISFL.
4	Acknowledgment of Loan Sanction letter with Terms and Condition
5	Loan Agreement complete in all respects.
6	Irrevocable POA for DP duly notarized.
7	POA issued to Bank for POA Mandate
8	Any other documents as ISFL may deem necessary
9	Documents required by the bank from time to time for opening of Bank account under PoA ,

*II) Document Required - Margin Funding (Retail Individual) for credit limit above Rs. 20 lakh and upto to Rs. 50.00 Lakh*

S. No	Particulars
	<b>Pre-Sanction</b>
1	Self-attested copy of PAN Card & Aadhaar Card of the borrower. The same set needs to be collected for co-borrower/ guarantor wherever applicable.
2	Self-declared Networth Certificate and latest 1 Year IT Return of the borrower. The same set needs to be collected for co-borrower/ guarantor wherever applicable.
3	Self-attested 6 months Bank Account Statement (Self Attested) of

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	the borrower. The same set needs to be collected for co-borrower/ guarantor wherever applicable
	<b>Post-Sanction</b>
4	Postdated Cheque for the Loan sanction amount in favour of ISFL
5	Acknowledgment of Loan Sanction letter with Terms and Condition
6	Loan Agreement complete in all respects.
7	Irrevocable POA for DP duly notarized
8	POA issued to Bank for POA Mandate
9	Any other documents as ISFL may deem necessary
10	Documents required by the bank from time to time for opening of Bank account under PoA

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### *III) Document Required - Margin Funding (Retail Individual) for credit limit above Rs. 50 lakh*

<b>S. No</b>	<b>Particulars</b>
	<b>Pre-Sanction</b>
1	Self-attested copy of PAN Card & Aadhaar Card of the borrower. The same set needs to be collected for co-borrower/ guarantor wherever applicable
2	CA certified latest Networth Certificate and latest 3 Years IT Return of the borrower. The same set needs to be collected for co-borrower/ guarantor wherever applicable
3	Latest 12 months Bank Account Transaction Statement (Self Attested) of the borrower. The same set needs to be collected for co-borrower/ guarantor wherever applicable
	<b>Post-Sanction</b>
4	Postdated Cheque for the Loan sanction amount in favour of ISFL
5	Acknowledgment of Loan Sanction letter with Terms and Condition
6	Loan Agreement complete in all respects.
7	Irrevocable POA for DP duly notarized
8	POA issued to Bank for POA Mandate
9	Any other documents as ISFL may deem necessary
10	Documents required by the bank from time to time for opening of Bank account under PoA ,

### *IV) Document Required - Margin Funding (Companies).*

<b>S. No</b>	<b>Particulars</b>
	<b>Pre - Sanction</b>
1	Address Proof of the Company - Self attested by Company Authorised signatories. (Borrower, Guarantor and Pledgor)
2	PAN Card of the Company - Self attested by Company Authorised signatories (Borrower, Guarantor and Pledgor)
3	Latest 12 Months Bank account Statement of the Company - Self attested by Company Authorised signatories (Borrower, Guarantor and Pledgor)
4	Latest Net worth Certificate of Borrower, Guarantor, Pledgor certified

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	by CA on CA Letter head for loans above Rs. 20 lakh. If the loan value is up to Rs. 20 lakh, a self-certified net worth statement of the borrower, Guarantor and pledgor would suffice.
5	Latest Three years IT Return copy of Borrower, Guarantor and Pledger (Self attested )
6	List of Directors with Signature on the Letter head of the Co., (Borrower, Guarantor and Pledgor)
7	List of Authorised Signatories along with photo and specimen signature on the letter head. (Borrower, Guarantor and Pledgor)
8	Board Resolution on the letter head of the company with Regd. Off. Address & Company common seal on the page (Borrower, Guarantor and Pledgor)
9	Latest Share Holding Pattern of the company on the letter head (Borrower, Guarantor and Pledgor)

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10	Address Proof of the Directors - Self attested (Borrower, Guarantor and Pledgor)
11	PAN Card of the Director - Self attested (Borrower, Guarantor and Pledgor)
12	Bank account Statement of the Director - Self attested by client with Bank Seal and signature of the bank where the client has its existing bank account.
13	DIR- 12, Copy for the Appointment and Resigned Directors.
14	MOA, AOA and Certificate of Incorporation self-attested by company authorized signatory (Borrower, Guarantor and Pledgor)
	<b>Post Sanction</b>
15	PDC for the Loan sanction amount in favour of IFIN Securities Finance Limited
16	Processing Fees cheque along with applicable service tax in favour of IFIN Securities Finance Limited without date
17	Cancelled Cheque leaf of the existing bank account
18	Acknowledgment of Loan Sanction letter with Terms and Condition sheet
20	Wealth Tax return copy of Individual Borrower, Guarantor and Pledgor. Where the Borrower, Guarantor & pledger are not assessed to wealth tax, a declaration to that effect.
21	Loan Agreement completed in all respects.
22	Any other documents as ISFL may deem necessary.
23	Documents required by the bank from time to time for opening of Bank account under PoA ,

### b) LOAN AGAINST SECURITIES

*1) Document Required – Loan Against Shares (Retail Individual) for credit limit upto Rs. 20 lakhs*

S. No	Particulars
	<b>Pre-Sanction</b>
1	Self-attested copy of PAN Card , Aadhaar Card and bank statement for the last 3 months of the borrower. The same set needs to be

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	collected for co-borrower/ guarantor wherever applicable.
	<b>Post-Sanction</b>
2	Postdated Cheque for the Loan sanction amount in favour of ISFL.
3	Acknowledgment of Loan Sanction letter with Terms and Condition
4	Loan Agreement complete in all respects.
5	Any other documents as ISFL may deem necessary

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*II) Document Required – Loan Against Shares (Retail Individual) for credit limit above Rs. 20 lakh and upto Rs. 50 lakh*

<b>S. No</b>	<b>Particulars</b>
	<b>Pre-Sanction</b>
1	Self-attested copy of PAN Card & Aadhaar Card of the borrower. The same set needs to be collected for co-borrower/ guarantor wherever applicable.
2	Self-declared Networth Certificate and latest 1 Year IT Return of the borrower. The same set needs to be collected for co-borrower/ guarantor wherever applicable.
3	Self attested 6 months Bank Account Statement (Self Attested) of the borrower. The same set needs to be collected for co-borrower/ guarantor wherever applicable
	<b>Post-Sanction</b>
4	Postdated Cheque for the Loan sanction amount in favour of ISFL
5	Acknowledgment of Loan Sanction letter with Terms and Condition
6	Loan Agreement complete in all respects.
7	Any other documents as ISFL may deem necessary

*III) Document Required – Loan Against Shares (Retail Individual) for credit limit above Rs. 50 lakh.*

<b>S. No</b>	<b>Particulars</b>
	<b>Pre-Sanction</b>
1	Self-attested copy of PAN Card & Aadhaar Card of the borrower. The same set needs to be collected for co-borrower/ guarantor wherever applicable
2	CA certified latest Networth Certificate and latest 3 Years IT Return of the borrower. The same set needs to be collected for co-borrower/ guarantor wherever applicable
3	Latest 12 months Bank Account Transaction Statement (Self Attested) of the borrower. The same set needs to be collected for co-borrower/ guarantor wherever applicable

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	<b>Post-Sanction</b>
4	Undated Cheque for the Loan sanction amount in favour of ISFL
5	Acknowledgment of Loan Sanction letter with Terms and Condition
6	Loan Agreement complete in all respects.
7	Any other documents as ISFL may deem necessary

### *IV) Document Required – Loan Against Shares (for Companies)*

<b>S. No</b>	<b>Particulars</b>
	<b>Pre - Sanction</b>
1	Address Proof of the Company - Self attested by Company Authorised signatories. (Borrower, Guarantor and Pledgor)
2	PAN Card of the Company - Self attested by Company Authorised signatories (Borrower, Guarantor and Pledgor)
3	Latest 12 Months Bank account Statement of the Company - Self attested by Company Authorized signatories (Borrower, Guarantor and Pledgor)
4	Latest Net worth Certificate of Borrower, Guarantor, Pledgor certified by CA on CA Letter head for loans above Rs. 20 lakh. If the loan value is up to Rs. 20 lakh, a self-certified net worth statement of the borrower, Guarantor and pledgor would suffice.*
5	Last Three years IT Return copy of Borrower, Guarantor and Pledgor (Self attested by client)
6	List of Directors with Signature on the Letter head of the Co., (Borrower, Guarantor and Pledgor)
7	List of Authorised Signatories along with photo and specimen signature on the letter head. (Borrower, Guarantor and Pledgor)
8	Board Resolution on the letter head of the company with Regd. Off. Address & Company common seal on the page (Borrower, Guarantor and Pledgor)
9	Latest Share Holding Pattern of the company on the letter head (Borrower, Guarantor and Pledgor)
10	Address Proof of the Directors - Self attested (Borrower, Guarantor and Pledgor)
11	PAN Card of the Director - Self attested (Borrower, Guarantor and Pledgor)
12	DIR-12 Copy for the Appointment and Resignation of Directors.

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13	MOA, AOA and Certificate of Incorporation self-attested by company authorized signatory (Borrower, Guarantor and Pledgor)
14	PDC for the Loan sanction amount in favour of IFIN Securities Finance Limited without date
15	Last Three Years Annual Report of the Borrower, Pledgor and Guarantor Company.
16	Credit Information Report of Pledgor, Gurantor and Borrower
	<b>Post Sanction</b>
17	Processing Fees cheque along with applicable service tax , in favour of IFIN Securities Finance Limited without date
18	Cancelled Cheque leaf of the existing bank account
19	Acknowledgment of Loan Sanction letter with Terms and Condition sheet
20	Loan Agreement complete in all respects
21	Any other documents as ISFL may deem necessary.