

Shaan Finance Limited



**Know Your Customer (KYC) and Anti
Money Laundering (AML) Policy
(FY 2024-26)**

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

- I. PREAMBLE:** Reserve Bank of India (RBI) has issued its Master Direction on KYC/AML/CFT & PMLA which is updated suitably and simultaneously whenever there is a change in the rules/regulations or there is a change in the policy. RBI Guidelines are based on the Recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) Standards and on Combating Financing of Terrorism (CFT). Financial Institutions have been advised by RBI to ensure that a proper policy framework on Know Your Customer and Anti-Money Laundering measures with the approval of the Board is formulated and put in place. Any deviation will attract penalties under the relevant provisions of the Act.

Introduction: RBI has announced comprehensive KYC policies for Financial Institutions in the context of Prevention of Money-Laundering Act, 2002, the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time by the Government of India and Aadhaar and other Laws (amendment) Ordinance, 2019 as notified by the Government of India. In view of the RBI Master Direction – RBI/DBR/2015-16/18 Master Direction DBR.AML.BC. No.81/14.01.001/2015-16 amended from time to time Shaan Finance Limited has adopted a comprehensive KYC & AML policy with suitable modifications depending on the business activity undertaken by it. The policy has been put in place after being duly approved by its Board of Directors.

- II. OBJECTIVES:** The following are the objectives of the Policy:
- To document the principles under which the entire KYC process which would be conducted in the Company involving customer identification procedure, Customer Acceptance Policy and monitoring of accounts depending on the risk sensitivity.
 - To document the procedures followed by the Company and to know/understand the profile of the customers along with the financial dealings, which in turn will help the employees to identify and manage the risks prudently.
 - To lay down the principles which the Company will follow to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities.
- III. OWNERSHIP:** The ownership of the policy with Board of Directors.
- IV. SCOPE OF THE POLICY:** The Policy will cover KYC compliance of all accounts financed across the Company, and also monitoring of transactions/accounts within the framework given by RBI.
- V. VALIDITY OF THE POLICY:** The Policy will be Valid for 2024-2026, and modifications, if any, will be reported to the Board and will be incorporated in the Policy. The present Policy will be effective from date of approval by Board till the next policy is revised and ratified by Board.
- VI. DEFINITIONS:** Terms bearing meaning assigned in terms of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005:

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- **Customer:** For the purpose of the KYC Policy, a Customer will be defined as a person who is engaged in a financial transaction or activity with the Company and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
- **"Aadhaar number"**, as defined in the Aadhaar and Other Law (Amendment) Ordinance, 2019, means an identification number issued to an individual under sub-section (3) of section 3 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016), and includes any alternative virtual identity generated under sub-section (4) of that section
- **"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
- **"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
- **"Certified Copy of OVD"** - Obtaining a certified copy by Shaan Finance Limited shall mean comparing the copy of officially valid document so produced by the customer with the original as well as from the respective site and recording the same on the copy by the authorized officer of Shaan Finance Limited.
- **"Central KYC Records Registry" (CKYCR)** means an entity defined under Rule 2(1) (aa) of the "Prevention of Money-Laundering, Maintenance of Records Rules", to receive, store, safeguard and retrieve the KYC records in digital form of a customer. "CKYC" - Central KYC Registry is a centralized repository of KYC records. Once the KYC documents are submitted by an individual, they are registered in the repository with a unique CYKC number. The CYKC number can be quoted instead of submitting physical KYC documents for any financial transaction. The CYKC repository can be accessed by all financial institutes for verifying the KYC details of their customers
- **"OKYC"** Offline Know Your Customer – UIDAI has launched Aadhaar Paperless Offline e-KYC Verification to allow Aadhaar number holders to voluntarily use it for establishing their identity in various applications in paperless and electronic fashion, while still maintaining privacy, security and
- **"Video KYC"** means method of customer identification with facial recognition and customer due diligence by an authorized official of the RE by undertaking seamless, secure, live, informed- consent based audio-visual interaction with the customer to obtain identification information required for CDD purpose
- **"Designated Director"** means a person designated by Shaan Finance Limited to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include: The Managing Director or a whole-time Director, duly authorized by the Board of Directors, if the RE is a company, 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, 2013.
- **"Offline Verification"**, as defined in the Aadhaar and Other Law (Amendment) Ordinance, 2019, means the process of verifying the identity of the Aadhaar number holder without authentication, through such offline modes as may be specified by the Aadhaar regulations "Person" has the same meaning assigned in the Act and includes:
 - a. an individual,
 - b. a Hindu undivided family,

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- c. a company, -Private, Public, LLP and One Person Company
- d. a firm, -Partnership & Proprietorship
- 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 Shaan Finance Limited responsible for furnishing information as per rule 8 of the ‘Prevention of Money-Laundering, Maintenance of Records Rules,
- **“Suspicious transaction”** means a “transaction” as defined below, including an attempted transaction, whether made in cash, which, to a person acting in good faith: Gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or Appears to be made in circumstances of unusual or unjustified complexity; or Appears to not have economic rationale or bona-fide purpose; or Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism Explanation: Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.
- **“Transaction”** means a purchase, sale, loan, pledge, transfer, delivery or the arrangement thereof and includes:
 - a. Opening of customer loan account;
 - b. transfer of funds in Indian currency (INR) through physical or online payment modes to the account of beneficiary as disbursement.
 - c. Entering any fiduciary
 - d. Any payment made or received, in whole or in part, for any contractual or other legal obligation; or
 - e. Establishing or creating a legal person or legal arrangement

VII. Terms bearing meaning assigned in this Directions, unless the context otherwise requires, shall bear the meanings assigned to them below:

- a. **“Common Reporting Standards”** (CRS) means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters
- b. **“Customer”** means a person who is engaged in a financial transaction or activity with Shaan Finance Limited and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting
- c. **“Customer Due Diligence (CDD)”** means identifying and verifying the customer and the beneficial owner
- d. **“Customer identification”** means undertaking the process of CDD
- e. **“KYC Templates”** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities
- f. **“Non-face-to-face Customers”** means customers who open accounts without visiting the branch/offices of Shaan Finance Limited or meeting the officials of Shaan Finance Limited

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- g. **“On-going Due Diligence”** means regular monitoring of transactions in accounts to ensure that they are consistent with the customers’ profile and source of funds
- h. **“Periodic Updation”** means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the Reserve Bank
- i. **“Politically Exposed Persons” (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,
- j. **“Wire transfer”** means a transaction carried out, directly or through a chain of transfers, on behalf of an originator person (both natural and legal) through a bank by electronic means with a view to making an amount of money available to a beneficiary person at a bank
- k. **“Domestic and cross-border wire transfer”**: When the originator bank and the beneficiary bank is the same person or different person located in the same country, such a transaction is a domestic wire transfer, and if the ‘originator bank’ or ‘beneficiary bank’ is in different countries such a transaction is cross-border wire transfer

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1935, the Prevention of Money Laundering Act, 2002, the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the 8Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 and regulations made thereunder and ‘Aadhaar and other Laws (amendment) Ordinance, 2019’, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

VIII. GENERAL: As per RBI/DBR/2015-16/18 Master Direction DBR.AML.BC. No.81/14.01.001/2015-16, every NBFC should have KYC policy with the following four key elements: -

- 1. Customer Acceptance Policy
- 2. Risk Management
- 3. Customer Identification Procedures (CIP)
- 4. Monitoring of transactions

a. Money Laundering and Terrorist Financing Risk Assessment

- Shaan Finance Limited shall carry out Risk Assessment’ exercise on ‘Money Laundering (ML) and Terrorist Financing (TF) periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc.
- The assessment process should consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. While preparing the internal risk assessment, Shaan Finance Limited shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with NBFCs from time to time.
- The risk assessment by Shaan Finance Limited shall be properly documented. Further, the periodicity of risk assessment exercise shall be determined by the Board of Shaan Finance Limited, in alignment with the outcome of the risk assessment exercise.

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- The outcome of the exercise shall be put up to the Board or any committee of the Board to which power in this regard has been delegated, and should be available to competent authorities and self-regulating
- Shaan Finance Limited shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and should have Board approved policies, controls and procedures in this regard. Further, Shaan Finance Limited shall monitor the implementation of the controls and enhance them if necessary

b. Designated Director

- A “Designated Director” means a person designated by the NBFC to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the Rules and shall be nominated by the Board
- The name, designation and address of the Designated Director shall be communicated to the FIU-IND
- In no case, the Principal Officer shall be nominated as the 'Designated Director'
- He/She must be the Managing Director or a whole-time Director, duly authorized by the Board of Directors

c. Principal Officer: Appoint a senior management officer to be designated as Principal Officer. Principal Officer shall be located at the head/corporate office of the bank and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law

- The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations
- It is advised that the Principal Officer and other appropriate staff should have timely access to customer identification data and other CDD information, transaction records and other relevant information
- Further, NBFCs should ensure that the Principal Officer is able to act independently and report directly to the senior management or to the Board of
- The name, designation and address of the Principal Officer shall be communicated to the FIU- IND
- Responsibilities of Principal officer:
 - The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND
 - A summary of cash transaction reports for the NBFC as a whole may be compiled by the Principal Officer of the NBFC in physical form as per the format specified. The summary should be signed by the Principal Officer and submitted both for manual and electronic

d. Compliance of KYC Policy: Shaan Finance Limited shall ensure compliance with KYC Policy through:

- Specifying as to who constitute ‘Senior Management’ for the purpose of KYC compliance
- Allocation of responsibility for effective implementation of policies and procedures
- Independent evaluation of the compliance functions of Shaan Finance Limited
- policies and procedures, including legal and regulatory requirement

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- Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures
- Submission of quarterly audit notes and compliance to the Audit Committee
- Shaan Finance Limited shall ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

e. Customer Acceptance Policy

- No account is to be opened in anonymous or fictitious/benami name(s)/entity(ies)
- No account is opened where Shaan Finance Limited is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer
- No transaction or account-based relationship is undertaken without following the CDD procedure
- The mandatory information to be sought for KYC purpose while opening an account and during the periodic updating, is specified
- Optional/additional information is obtained with the explicit consent of the customer after the account is opened
- Shaan Finance Limited shall apply the CDD procedure at the UCIC (Unique Customer Identification Code) level. Thus, if an existing KYC compliant customer desires to open another account, there shall be no need for a fresh CDD exercise
- 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 the sanctions lists circulated or as prescribed by Reserve Bank of India
- Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority
- Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out in conformity with the established law and practice of banking as there shall be occasions when an account is operated by a mandate holder or where an account shall be opened by an intermediary in the fiduciary capacity
- Customer Acceptance Policy shall not result in denial of banking/financial facility to members of the public, especially those, who are financially or socially disadvantaged.

f. Risk Management: For Risk Management, Shaan Finance Limited shall have a risk-based approach which includes the following: -

- The Company shall prepare a profile for each new customer based on risk categorization. The customer profile may contain information relating to the customer's identity, financial status, credit reports, employment status etc. The nature and extent of due diligence shall depend on the risk perceived by the Company. However, while preparing a customer profile the Company shall take care to seek only such information from the customer which is relevant to the risk category and is not intrusive. The customer profile shall be a confidential document and details contained therein shall not be divulged for cross selling or any other purposes unless consented by the customer
- Based on historical bureau data of users, employment status & other financial parameters, customers are classified into different risk categories. Loans are offered at different interest rates based on the risk profile of the

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- For customers falling under high-risk category, additional functionalities like enhancement of Loan will be put on hold until the customers moves to lower risk category

The Board of directors of the Company shall ensure that an effective KYC program is put in place by establishing appropriate procedures and ensuring their effective implementation. It shall cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility would be explicitly allocated within the Company for ensuring that the Company's policies and procedures are implemented effectively. The Company shall, in consultation with the Board, devise procedures for creating risk profiles of their existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.

The Company has an ongoing employee training program so that staff are adequately trained in KYC procedures.

- g. Anti-Money Laundering and Combating financing of terrorism:** In terms of PMLA Rules, suspicious transactions shall include inter alia transactions which give rise to a reasonable ground of suspicion that these may involve financing of activities related to money laundering or terrorism. The Company, therefore, shall develop suitable mechanism through appropriate policy framework for enhanced monitoring of accounts suspected of having money laundering or terrorist links and swift identification of transactions and making suitable reports to the Financial Intelligence Unit – India (FIU-IND) on priority. As and when the list of individuals and entities, approved by Security Council Committee established pursuant to various United Nation's Security Council Resolutions (UNSCRs), is circulated by RBI, the Company shall ensure to update the consolidated list of individuals and entities as circulated by RBI. The Company shall, before opening new accounts, ensure that names of proposed customers do not appear in the list. Further, the Company shall scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals / entities in the list shall immediately be intimated to RBI and FIU-IND. KYC norms / AML standards / CFT measures have been prescribed to ensure that criminals are not allowed to misuse the financial channels. Adequate screening mechanism shall be put in place by the company as an integral part of recruitment/hiring process of personnel.

- h. Cash and suspicious transaction reports: The company does not deal with cash but in principle it may be noted in the policy that:**

- **Cash Transaction Report (CTR):** All individual cash transactions in an account during a calendar month, where either debits or credit summation, computed separately, exceeding Rupees Ten Lakhs or its equivalent in foreign currency, during the month should be reported to FIU-IND. However, while filing CTR, details of individual cash transactions below Rupees Fifty Thousand may not be indicated.

The Principal Officer should ensure submission of CTR for every month to FIU-IND before 15th of the succeeding month. CTR should contain only the transactions carried out by the Company on behalf of their clients/customers excluding transactions between the internal accounts of the Company.

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- **Suspicious Transaction Reports (STR):** The Suspicious Transaction Reports (STR) should be furnished within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer of the Shaan Finance Limited shall record his / her reasons for treating any transactions or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion once a suspicious transaction report is received from the Company or any other branch office. Such a report will be made available to the competent authorities on request.

The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion once a suspicious transaction report is received

Further the Company shall not put any restrictions on operations in the accounts where an STR has been made. The Company and its employees shall keep the facts of furnishing of STR strictly confidential, as required under PML rules. It should be ensured that there is no tipping off to the customer at any level.

- i. **Customer Identification Procedure (CIP):** Shaan Finance Limited shall undertake identification of customers in the following cases:

- Commencement of an account-based relationship with the customer
- Carrying out any international money transfer operations for a person who is not an account holder of the Company
- When there is a doubt about the authenticity or adequacy of the customer identification data
- Selling third party products as agents, selling their own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than rupees fifty thousand
- Carrying out transactions for a non-account-based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected
- When Shaan Finance Limited has reason to believe that a customer (account-based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand

CKYC: Shaan Finance Limited shall primarily perform Central KYC, an initiative to have structure in place which allows investors to complete their KYC only once before interacting with various entities across the financial sector. CKYC is applicable only to Individuals (both Resident Individuals and Non- Resident Individuals (NRIs). Shaan Finance Ltd shall register Financial institutions on CKYC Registry portal. After providing the required details and approvals by the authorities, system will generate a unique FI Code and will create two admin logins for the FI after successful registration. Shaan Finance Limited shall formulate standard operating procedure for CKYC and ensure adherence to it.

- FI Registration input option shall include all the required details of Shaan Finance Limited and the details of two admins that are to be created along with the institution registration
- Upon submission of the details the system will generate a temporary reference number and mail will be sent to compliance officer informing the same

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- FI shall send the signed form along with the supporting documents to CERSAI
- CKYC Registry Admin will verify the entered details with physical form received. Correct details would mean the Admin will authorize and approve the registration application
- In case of discrepancies, Admin will put the request on hold and the system will send email to the institution compliance officer (email ID provided in FI registration form). To update the case hyperlink would be provided in the email.
- Upon Registry approval, user credentials will be sent to the email IDs of admin1, admin2 separately and compliance officers will get the welcome email along with FI code
- After activation of users by a Financial institution an email will be sent to the user containing User ID and a link to generate password.
- User Id is auto populated. User needs to enter a 10-digit mobile number as provided during FI Registration which shall be validated with OTP along with confirming the new
- Post Logging in User needs to select the digital signature that was registered during the first time user login. Digital certificate selected is validated each time against the one registered during first login/last modified. User is navigated to the CKYC application home screen after the certificate is successfully Users can perform different operations as per assigned role.

oKYC (Aadhaar Paperless Offline e-kyc): Shaan Finance Limited shall partner with Technology Service Providers (TSPs) / agencies authorized by UIDAI to offer oKYC as an alternate method of customer identification to customers in cases where CKYC is not available or not satisfactory. Shaan Finance Limited shall formulate a standard operating procedure and put in place appropriate due diligence measures for running the oKYC process and ensure adherence to it.

- **oKYC Procedure:**

- User enters 12 digit Aadhaar number or 16-digit VID number on a page hosted by UIDAI to retrieve Aadhaar XML
- User enters the CAPTCHA / confirmation code in the follow up screen for security validation
- User enters the 6 digit OTP received on the mobile number registered with UIDAI
- The Agency partner reads, validates signature and date, and renders the Aadhaar information retrieved from the XML in a presentable format to the user for user confirmation
- oKYC is marked as completed if the user confirms the details displayed
- Shaan Finance Limited stores a copy of the Aadhaar XML retrieved for proof of KYC completion

Video KYC: Shaan Finance Limited may perform Video KYC in cases where CKYC or oKYC are not available or not satisfactory. Video based Customer Identification Process (V-CIP) is an alternate method of customer identification with facial recognition and customer due diligence by an authorized official of the Company by undertaking seamless, secure, live, informed-consent based audio-visual interaction with the customer to obtain identification information required for CDD purpose. Shaan Finance Limited may undertake V-CIP to carry out:

- CDD in case of new customer on-boarding for customers

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- Periodic updation of KYC for eligible customers if perceived mandatory by the management

CIP Procedure: Shaan Finance Limited shall formulate a clear work flow and standard operating procedure for V-CIP and ensure adherence to it. The V-CIP process shall be operated only by officials of Shaan Finance Limited specially trained for this purpose.

- The official shall be capable to carry out a liveness check and detect any other fraudulent manipulation or suspicious conduct of the customer and act upon
- If there is a disruption in the V-CIP procedure, the same shall be aborted and a fresh session shall be initiated
- The sequence and/or type of questions, including those indicating the liveness of the interaction, during video interactions shall be varied in order to establish that the interactions are real-time and not pre-recorded.
- Any prompting, observed at the end of the customer shall lead to rejection of the account opening
- The authorised official of Shaan Finance Limited performing the V-CIP shall record audio-video as well as capture photograph of the customer present for identification and obtain the identification information using any one of the following:
 - OTP based Aadhaar e-KYC authentication
 - Offline Verification of Aadhaar for identification
 - KYC records downloaded from CKYCR, in accordance with Section 56, using the KYC identifier provided by the customer
 - Equivalent e-document of Officially Valid Documents (OVDs) including documents issued through DigiLocker

Data to be stored for V-CIP:

1. The entire data and recordings of V-CIP shall be stored in a system / system located in
2. Shaan shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp that affords easy historical data search.
3. The extant instructions on record management, as stipulated in the RBI Master Direction - Know Your Customer (KYC) Direction, 2016, shall also be applicable for V-CIP.
4. The activity log along with the credentials of the official performing the V-CIP shall be

- j. Customer Due diligence by 3rd Party:** To verify the identity of customers at the time of commencement of an account-based relationship, Shaan Finance Limited, shall at its option, may rely on customer due diligence done by a third party, subject to the following conditions:

1. Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry
2. Adequate steps are taken by Shaan Finance Limited to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay
3. The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act
4. The third party shall not be based in a country or jurisdiction assessed as high risk

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5. The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with Shaan Finance Limited. Enhanced Due diligence measures are indicated in Section 6, Customer Due Diligence Procedure
- **Customer Due Diligence Procedure (CDD):** For undertaking CDD, Shaan Finance Limited shall obtain the following from an individual while establishing an account-based relationship or while dealing with the individual who is a beneficial owner, authorized signatory or the power of attorney holder related to any legal entity:
 - A certified copy of any OVD containing details of his identity and address
 - The Permanent Account Number or Form 60 as defined in Income-tax Rules, 1962, and
 - Such other documents pertaining to the nature of business or financial status as required by Shaan Finance Limited
 - Shaan Finance Limited may carry out online verification of a customer.In cases where successful authentication has been carried out, other OVD and photographs need not be submitted by the customer.

The Company intends to collate the KYC information from different types of customers in line with the Master Direction - Know Your Customer (KYC) Directions, 2016. The list of KYC details will be collected from different types of customers listed in Annexure I.

Explanation 1: Shaan Finance Limited shall, where its customer submits his Aadhaar number, ensure such customer to redact or blackout his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required under section 7 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act.

Explanation 2: The use of Aadhaar, proof of possession of Aadhaar etc., shall be in accordance with the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act, the Aadhaar and Other Law (Amendment) Ordinance, 2019 and the regulations made thereunder.

- k. **Periodic Updation:** Shaan Finance Limited shall adopt a risk-based approach for periodic updation of KYC. Individual Customers.
1. No change in KYC information: In case of no change in the KYC information, a self-declaration from the customer in this regard shall be obtained through customer's email-id or customer's mobile number registered with Shaan Finance Limited
 2. Change in address: In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer's email- id registered with Shaan Finance Limited, customer's mobile number registered with Shaan Finance Limited, digital channels (such as online banking, mobile application of Shaan Finance Limited), letter etc., and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables etc.
- Further, Shaan Finance Limited to obtain a copy of OVD or deemed OVD or the equivalent e-documents thereof for the purpose of proof of address, declared by the customer at the time of periodic updation.

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- I. Client accounts opened by professional intermediaries: Shaan Finance Limited shall ensure while opening client accounts through professional intermediaries, that:
- Shaan Finance Limited shall, at their discretion, rely on the 'customer due diligence' (CDD) done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers
 - Types of KYC allowed are cKYC and oKYC
 - Clients shall be identified when client account is opened by a professional intermediary on behalf of a single client
 - Shaan Finance Limited shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to Shaan Finance Limited
 - All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of Shaan Finance Limited, and there are 'sub-accounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of Shaan Finance Limited, it shall look for the beneficial owners
 - The ultimate responsibility for knowing the customer lies with Shaan Finance Limited

m. Monitoring of Transactions: As per Income Tax Act, 1961, Cash cannot be accepted by any person (Branch / collection staff) over and above Rs. 2,00,000/- (Two Lakhs only) for a particular transaction or series of integrally connected transactions. The Company does not accept cash deposits in foreign currency. As per Income Tax Act, 1961, for any Cash or its equivalent payment over and above Rs. 10,000/-, a source of funds' declaration for such cash should be obtained from the Customer / person depositing / repaying the loan.

Note: Source of funds in cash is through 'sale of immovable property', then Cash or its equivalent for more than Rs. 20,000/- should not be accepted.

Ongoing monitoring is an essential element of effective KYC procedures. Shaan Finance Limited can effectively control and reduce the risk only if it understands the normal and reasonable activity of the customer so that it has the means of identifying transactions that fall outside the regular pattern of activity. However, the extent of monitoring shall depend on the risk sensitivity attached with the client. The Company shall pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.

The Company shall prescribe threshold limits for a particular category of clients and pay particular attention to the transactions which exceed these limits. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer would particularly attract the attention of the company. Further, there are no operative accounts wherein the need for fixing the threshold limit for individual transactions and aggregate is more relevant and necessary. Transactions with the Company are purely restricted to the debt service payable over the tenor of the loan. While threshold limits of transactional basis are restricted to the debt service payable, the threshold for turnover shall be restricted to the aggregate debt service payable year after year.

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Transactions that involve cash over and above Rs. 1 lac should particularly attract the attention of Shaan Finance Limited. Higher risk accounts shall be subjected to intense monitoring.

The Company shall put in place a system of periodic review of the risk categorization of accounts and the need for applying enhanced due diligence measures in case of higher risk perception on a customer. Review of risk categorization of customers shall be carried out at a periodicity of not less than once in six months. The Company shall also introduce a system of periodical updating of customer identification data (including photograph/s) after the account is opened. The periodicity of such updating shall not be 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.

- n. **Record Management:** Government of India, Ministry of Finance, Department of Revenue, vide its notification dated July 1, 2005 in the Gazette of India, has notified the Rules under the Prevention of Money Laundering Act (PMLA), 2002. In terms of the said Rules, the provisions of PMLA, 2002 came into effect from July 1, 2005. Section 12 of the PMLA, 2002 casts certain obligations on the banking companies in regard to preservation and reporting of customer account information.

Maintenance of records of transactions: The Company shall maintain a proper record of transactions prescribed under Rule 3 of PML Rules, 2005, as mentioned below. (Though the company is not engaged in cash transactions.)

1. All cash transactions of value more than INR 10 Lakhs or its equivalent in foreign currency
2. All series of cash transactions integrally connected to each other which have been valued below INR 10 Lakhs 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 INR 10 Lakhs
3. All transactions involving receipts by non-profit organizations of value more than INR 10 Lakhs or its equivalent in foreign currency
4. 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 or a document has taken place facilitating transactions
5. All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules

Information to be preserved: The Company will maintain all necessary information in respect of transactions referred to in Rule 3 to permit reconstruction of individual transaction, including the following information:

1. The nature of transactions
2. The amount of transaction and the currency in which it was denominated
3. The date on which the transaction was conducted
4. The parties to the transaction

Maintenance and preservation of records: The Company will maintain records containing information of all transactions including the records of transactions detailed in Rule 3 above. The Company should also take appropriate steps to evolve a system for proper maintenance and preservation of account information in a manner that allows data

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to be retrieved easily and quickly whenever required or when requested by the competent authority.

Further, in terms of PML Amendment Act 2012 notified on February 15, 2013, the Company should maintain for at least five years from the date of transaction between the Company and the client, all necessary records of transactions, both domestic and or international, which will permit reconstruction of individual transactions (including the amount and type of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

The Company should ensure that records pertaining to the identification of customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN cards, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least five years after the business relationship is ended as required under Rule 10 of the PML Rules. The identification records and transaction data should be made available to the competent authorities upon request.

Reporting to Financial Intelligence Unit – India: In terms of PMLA Rules, the Company will report information relating to cash and suspicious transactions and all transactions involving receipts by non-profit organizations of value more than INR 10 lakhs or its equivalent in foreign currency to the Director, Financial Intelligence Unit – India (FIU-IND) in respect of transactions referred to in Rule 3 at the following address: -

Director, FIU-IND,

Financial Intelligence Unit – India, 6th Floor, Hotel Samrat, Chanakyapuri,

New Delhi – 110021

Website – <http://fiuindia.gov.in/>

- o. Requirements/obligations under International Agreements:** Shaan Finance Limited shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC). The details of the two lists are as under:

- The “ISIL (Da’esh) & Al-Qaida Sanctions List”, which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al-Qaida Sanctions List is available at

<https://scsanctions.un.org/fop/fop?xml=htdocs/resources/xml/en/consolidated.xml&xslt=htdocs/resources/xsl/en/al-qaida-r.xsl>

- The “1988 Sanctions List”, consisting of individuals (Section A of the consolidated list) and entities (Section B) associated with the Taliban which is available at <https://scsanctions.un.org/fop/fop?xml=htdocs/resources/xml/en/consolidated.xml&xslt=htdocs/resources/xsl/en/taliban-r.xsl>

Details of accounts resembling any of the individuals/entities in the lists shall be reported to FIU-IND apart from advising Ministry of Home Affairs as required under UAPA notification dated August 27, 2009.

In addition to the above, other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time to time shall also be taken note of.

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p. Freezing of Assets under Section 51A of Unlawful Activities (Prevention) Act, 1967:
The procedure laid down in the UAPA Order dated August 27, 2009 shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured.

q. Jurisdictions that do not or insufficiently apply the FATF Recommendations:

1. FATF Statements circulated by Reserve Bank of India from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered. Risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement shall be considered
2. Special attention shall be given to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF Statements
3. The background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations shall be examined, and written findings together with all documents shall be retained and shall be made available to Reserve Bank/other relevant authorities, on request.

r. Other Instructions

- **Secrecy Obligations and Sharing Information:** Shaan Finance Limited shall maintain confidentiality of information as provided in Section 45NB of RBI Act 1934.
- **CDD Procedure and sharing KYC** information with Central KYC Records Registry (CKYCR)
 - 2015.Government of India has authorized the Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification S.O. 3183(E) dated November 26, 2015.
 - 2016.In terms of provision of Rule 9(1A) of PML Rules, Shaan Finance Limited shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.
 - 2017.Operational Guidelines for uploading the KYC data have been released by
- 1. Shaan Finance Limited shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as per the KYC templates prepared for 'Individuals' and 'Legal Entities' (LEs), as the case may be. The templates may be revised from time to time, as may be required and released by CERSAI.
- 2. Once KYC Identifier is generated by CKYCR, Shaan Finance Limited shall ensure that the same is communicated to the individual/LE as the case may be
- 3. In order to ensure that all KYC records are incrementally uploaded on to CKYCR, Shaan Finance Limited shall upload/update the KYC data pertaining to accounts of individual customers and LEs at the time of periodic updation, or earlier, when the updated KYC information is obtained/received from the

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4. Shaan Finance Limited shall ensure that during periodic updation, the customers are migrated to the current CDD standard
5. Where a customer, for the purposes of establishing an account-based relationship, submits a KYC Identifier to Shaan Finance Limited, with an explicit consent to download records from CKYCR, then Shaan Finance Limited 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 –
 6. there is a change in the information of the customer as existing in the records of CKYCR;
 7. the current address of the customer is required to be verified;
 8. the RE 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.
- **Collection of Account Payee Cheques:** Account payee cheques for any person other than the payee constituent shall not be collected.
- **Introduction of New Technologies –:** Adequate attention shall be paid by Shaan Finance Limited to any money-laundering and financing of terrorism threats that may arise from new or developing technologies and it shall be ensured that appropriate KYC procedures issued from time to time are duly applied before introducing new products/services/technologies.
- **Quoting of PAN:** Permanent account number (PAN) of customers shall be obtained and verified while undertaking transactions as per the provisions of Income Tax Rule 114B applicable to banking companies, as amended from time to time. Form 60 shall be obtained from persons who do not have PAN.
- **Selling Third Party Products:** Shaan Finance Limited acting as agents while selling third party products as per regulations in force from time to time shall comply with the RBI guidelines and KYC guidelines. Obtaining and verifying the PAN given by the account based as well as walk-in customers
- **Hiring of Employees and Employee training**
 1. Adequate screening mechanism as an integral part of their personnel recruitment/hiring process shall be put in place
 2. On-going employee training programme shall be put in place so that the members of staff are adequately trained in AML/CFT policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in AML/CFT policies of the company, regulation and related issues shall be ensured
- **Persons authorized by the company** for collecting loan repayments and their brokers/agents or the like, shall be fully compliant with the KYC guidelines applicable to the company
- **All information shall be made available** to the Reserve Bank of India to verify the compliance with the KYC guidelines and accept full consequences of any violation by the persons authorized by the company including brokers/agents who are operating on their behalf

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- **The books of accounts of persons** authorized by the company including brokers/agents or the like, so far as they relate to brokerage functions of the company, shall be made available for audit and inspection whenever

Policy Review: This Policy will be reviewed before end of FY 2025-2026. Any modification and changes be made by regulators, GOI and other controlling authority shall be forming the part of this Policy.

Annexure I Due Diligence Documents

Category of Customer	Due-Diligence Documents Required
	<p>The customers would submit its OVDs for identity and address</p> <p>Note: OVD in terms of 3(a)(xiii) of the KYC Master Direction means the passport, the driving license, 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. Provided that: (i) where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India; (ii) where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVDs for the limited purpose of proof of address- (A) utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill); (B) property or municipal tax receipt; (C) pension or family pension payment order issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address; (D) 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; (iii) the customer shall submit OVD with current address within a period of three months of submitting the documents specified at (ii) above; and (iv) where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the foreign embassy or mission in India shall be accepted as proof of address.</p> <p>b. Individual customers have to mandatorily submit the Permanent Account Number ("<u>PAN</u>"). This would also apply to individuals who are beneficial owners, authorized signatory or power of attorney holders related to any legal entity.</p>

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Sole Proprietary Firm	<p>Any two of the following documents or the equivalent e-documents there of as a proof of business/ activity in the name of the proprietary firm shall also be obtained:</p> <ol style="list-style-type: none"> Registration certificate. Certificate / license issued by the municipal authorities under Shop and Establishment Act. Sales and income tax returns. CST / VAT / GST certificate (provisional/final). Certificate/registration document issued by sales tax / service tax / professional tax authorities. IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT or license / certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute. 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. Utility bills such as electricity, water, landline telephone bills, etc.
Company	<p>For opening an account of a company, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:</p> <ol style="list-style-type: none"> Certificate of incorporation; Memorandum and Articles of Association; PAN of the company; and PAN of the person authorized to transact on behalf of the company, along with any OVD for identity and address proof.
Partnership Firm	<ol style="list-style-type: none"> Registration certificate; Partnership deed; PAN of the partnership firm; and PAN of the persons authorized to transact on its behalf along with any OVD for identity and address proof
Trust	<p>For opening an account of a trust, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:</p> <ol style="list-style-type: none"> Registration certificate; Trust deed; Permanent Account Number or Form No.60 of the trust; and PAN of the persons authorized to transact on its behalf along with any OVD for identity and address proof.

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Unincorporated associate or body of individuals	<p>For opening an account of an unincorporated association or a body of individuals, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:</p> <ul style="list-style-type: none">a. Resolution of the managing body of such association or body of individuals;b. PAN or Form No. 60 of the unincorporated association or a body of individuals;c. Power of attorney granted to transact on its behalf;d. PAN of the persons authorized to transact on its behalf along with any OVD for identity and address proof; ande. Such information as may be required by the Company to collectively establish the legal existence of such an association or body of individuals
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