

VERITAS FINANCE PRIVATE LIMITED**POLICY ON KNOW YOUR CUSTOMER (KYC) GUIDELINES & ANTI MONEY
LAUNDERING STANDARDS**

INDEX

Sl. No	Contents
I	Objectives & Applicability
II	Key Elements
	a) Customer Acceptance Policy
	b) Customer Identification Procedures
	c) Monitoring Of Transaction
	d) Risk Management
III	Identification
IV	Verification
V	Maintenance of records of transactions & Identity
VI	Enhanced Due Diligence
VII	Appointment of Principal Officer
VIII	E-KYC

I. Objectives

The "Know Your Customer" (KYC) guidelines issued by Reserve Bank Of India and updated in RBI / 2014-15/56 DNBS (PD) CC No.387 /03.10.42/ 2014-15 dated July 1, 2014 aims at preventing the Non-Banking Finance Company's (NBFC's) from being used intentionally or unintentionally by criminal elements for committing financial frauds, transferring or deposits of funds derived from criminal activity or for financing terrorism. Accordingly, in compliance with the guidelines issued by RBI from time to time, the following KYC & AML policy of Veritas Finance is approved by the Board of Directors of Veritas Finance.

This policy / guidelines are applicable to all offices and branches of Veritas Finance.

II. Key Elements

KYC procedures also enable us to know/understand our customers and their financial dealings better which in turn help them manage their risks prudently. We have framed our KYC policy incorporating the following four key elements

- Customer Acceptance Policy
- Customer Identification Procedures
- Monitoring of Transactions and
- Risk management

For the purpose of KYC policy, a "customer" will be defined as:

- A person or entity that maintains an account and/or has a business relationship with Veritas Finance
- The one on whose behalf the account is maintained (i.e. the beneficial owner).
- Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Company Secretaries, Chartered Accountants, Solicitors etc. as permitted under the law,
- any person or entity connected with a financial transaction which can pose significant reputation or other risks to Veritas Finance, say a wire transfer or issue of a high value demand draft as a single transaction.

a) Customer Acceptance Policy (CAP)

Veritas Finance ensures that

- No account is opened in anonymous or fictitious/benami name(s)
- obtaining comprehensive information depending on the perceived risk and in accordance with the guidelines issued by Reserve Bank Of India regarding new customers at the initial stage
- Ascertaining the volume of turnover, social and financial status, etc. to enable categorization of customers into low, medium and high risk (these customers will

require very high level of monitoring). Currently given the size of our loans and type of clients we deal with, all our customers are considered low risk.

- Veritas Finance ensures that documentation requirements and other information collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of PML Act, 2002 and guidelines issued from time to time
- Veritas Finance will verify the identity and /or obtain documents required as per the risk categorization and will refuse to process a loan account where the prospective customer does not co-operate with VERITAS FINANCE in obtaining these details or where we are not sure about the reliability of the data furnished by the prospective customer.
- Taking adequate steps to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.
- Veritas Finance prepares the profile for new and existing customers which are based on risk categorization. The customer profile contains information relating to the customer's identity, social/financial Status, nature of business activity, information about his clients' business and their location, etc. The nature and extent of due diligence will depend on the risk perceived by Veritas Finance. However, the seeking of such information will not be intrusive and Veritas Finance does not use such confidential information for cross selling or any other purposes.
- Circumstances, in which a customer is permitted to act on behalf of another person/entity, will be clearly spelt out in conformity with the established law and practices, as there could be occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in a fiduciary capacity, and
- Veritas Finance makes necessary checks before opening a new account to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.
- If we are unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, Veritas Finance may consider terminating the business relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such Veritas Finance decisions being taken at a reasonably senior level after consulting the Principal Officer.

The intent of the Policy is not to result in denial of financial services to general public, who are financially or socially disadvantaged. While carrying out due diligence, VERITAS

FINANCE will ensure that the procedure adopted does not result in denial of services to any genuine customers.

VERITAS FINANCE shall carry out full scale customer due diligence (CDD) before opening an account. When the true identity of the account holder is not known, VERITAS FINANCE shall file Suspicious Transaction Reporting (STR) as provided below in clause 9.

Given the nature of our business – small ticket loans to micro, small and medium enterprises, informal and financially excluded families – we have categorized our customers as low risk.

b) CUSTOMER IDENTIFICATION PROCEDURE (CIP)

Customer identification means identifying the customer and verifying his/ her/ its identity by using reliable, independent source documents, data or information.

VERITAS FINANCE obtains the necessary information to establish the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship. The identification procedure is carried out at different stages, i.e. while establishing a relationship, carrying out a financial transaction or when VERITAS FINANCE has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

The customer identification will be through an introductory reference from an existing customer with a satisfactorily conducted loan account or a person known to us and on the basis of documents provided by the customer or through staff members knowing the potential customer or any other document for identification and proof of residence.

For establishing identity or proof of residence Ration Card will normally not be used as document. However, in the event of non-availability of any other document, Ration Card may also be accepted as proof of residence from Minors/Illiterate persons or house wives etc. who are unable to produce other documents.

CUSTOMER PROFILE

For the purpose of exercising due diligence on individual transactions in accounts, a 'Customer Profile' of individual customers is included in the loan application forms. The customer profile will contain information relating to the customers identity, social/ financial status, nature of business activity, information about the customers clients' business and their location etc. The information will be of two types namely mandatory and optional as stated below:

(a) Mandatory Information:-

i) Occupation (ii) Source of funds (iii) Monthly Income (iv) Annual turnover (v) Date of Birth (vi) Dealings with other banks (vii) Assets (approximate value).

(b) Optional Information:-

1) Marital Status; 2) Educational Qualification; 3) Educational Qualification of spouse; 4) Details regarding children; 5) Information like whether the customer - i) Owns a car/two wheeler ii) has a credit card iii) has a LIC policy.

VERITAS FINANCE performs 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 is based on the level of risk associated with the relationship (products, services, business processes, geographic locations) between VERITAS FINANCE and the customer and the risk profile of the customer

CUSTOMER EDUCATION:

VERITAS FINANCE takes adequate measures to educate the customer on the objectives of the KYC programme, especially at the time of obtaining sensitive or personal information from the customers .Wherever we desire to collect any information about the customer for the purpose other than KYC requirement, it will not form part of the loan application. Such information is being collected separately, purely on a voluntary basis in a form prescribed by VERITAS FINANCE after explaining the objective to the customer and taking the customer's express approval for the specific uses to which such information could be put. The front desk staff is specially trained to handle such situations while dealing with customers. VERITAS FINANCE takes care to see that implementation of the KYC guidelines in respect of customer acceptance, identification etc. do not result in denial of opening of new loan accounts to general public.

C. MONITORING TRANSACTIONS:

Ongoing monitoring is an essential element of effective KYC procedures.

VERITAS FINANCE effectively control and reduce the risk on understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk sensitivity of the account. The different departments pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. High-risk accounts will be subjected to intensified monitoring.

VERITAS FINANCE has put in place an appropriate software application / mechanism to throw alerts when the transactions are inconsistent with risk categorization and updated profile of customers.

Illustrative list of activities which is construed as suspicious transactions

- Activities not consistent with the customer's business, i.e. accounts with large volume of credits whereas the nature of business does not justify such credits.
- Any attempt to avoid Reporting/Record-keeping Requirements/provides insufficient / suspicious information:
 - A customer who is reluctant to provide information needed for a mandatory report, to have the report filed or to proceed with a transaction after being informed that the report must be filed.
 - Any individual or group that coerces/induces or attempts to coerce/induce VERITAS FINANCE employee from not filing any report or any other forms.
- Certain Employees of VERITAS FINANCE arousing suspicion:
 - An employee whose lavish lifestyle cannot be supported by his or her salary.
 - Negligence of employees/willful blindness is reported repeatedly.
- Some examples of suspicious activities/transactions monitored by the operating staff:
 - Multiple accounts under the same name
 - Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc;
 - There are reasonable doubts over the real beneficiary of the loan
 - Frequent requests for change of address

d) RISK MANAGEMENT

Veritas Finance internal audit and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures. The compliance function provides an independent evaluation of Veritas Finance's policies and procedures, including legal and regulatory requirements. Veritas Finance ensures that its audit machinery is staffed adequately with individuals who are well-versed in such policies and procedures.

Concurrent/ Internal Auditors will specifically check and verify the application of KYC procedures and comment on the lapses observed in this regard. The compliance in this regard is put up before the Audit Committee of the Board at quarterly intervals.

Risk Categorisation:

Veritas Finance 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 judgement falling in a different category, he may categorise the customer so, so long as appropriate justification is provided in the customer file.

Indicative List of Risk Categorisation:**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 categorised as low risk. (In all probabilities Veritas Finance 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

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 Networth 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. Non face-to-face customers
8. Those with dubious reputation as per public information available
9. Accounts of bullion dealers and jewelers

III. IDENTIFICATION

Veritas Finance follows the following Customer Identification Procedure Features that are verified and documents that may be obtained from customers

Features	Documents
Legal name and any other names used	(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving licence (v) Identity card (subject to VERITAS FINANCE's satisfaction) (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of VERITAS FINANCE
Correct permanent address	(i) Telephone bill (ii) Bank account statement (iii) Letter from any recognized public authority (iv) Electricity bill (v) Ration card any one document which provides customer information to the satisfaction of VERITAS FINANCE will suffice
Accounts of Companies -Name of VERITAS FINANCE -Principal place of business -Mailing address of VERITAS FINANCE -Telephone/Fax Number	(i) Certificate of incorporation and Memorandum & Articles of Association (ii) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account (iii) Power of Attorney granted to its managers, officers or employees to transact business on its behalf (iv) Copy of PAN allotment letter (v) Copy of the telephone bill

Features	Documents
Accounts of partnership firms - Legal name - Address - Names of all partners and their addresses - Telephone numbers of the firm and partners	(i) Registration certificate, if registered (ii) Partnership deed (iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf (iv) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses (v) Telephone bill in the name of firm/partners Accounts
Accounts of Proprietary Concerns -Name, Address and Activity of the Proprietary Concern.	(i) Proof of the name, address and activity of the concern, like registration certificate (in the case of a registered concern), (ii) certificate/licence issued by the Municipal authorities under Shop & Establishment Act, sales and income tax returns, CST / VAT certificate, certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities, Licence issued by the Registering authority like Certificate of Practice issued by Food and Drug Control Authorities, etc. (iii) Any registration / licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority / Department. We also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document for opening of account. (iv) The complete Income Tax return (not just the acknowledgement) in

Features	Documents
	<p>the name of the sole proprietor where the firm's income is reflected duly authenticated/ acknowledged by the Income Tax Authorities.</p> <p>(v) Utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern.</p> <p>Any two of the above documents would suffice. These documents should be in the name of the proprietary concern.</p>

Identification number:

- i. A taxpayer identification number; passport number and country of issuance; letter issued by Unique Identification Authority of India containing AADHAAR number; or number and country of issuance of any other government issued document evidencing nationality or residence and bearing a photograph or similar safeguard. When opening an account for a person (other than an individual) that does not have an identification number, the business process must request alternative government issued documentation certifying the existence of the business or enterprise;
- ii. For a customer who has applied for, but has not received an identification number, loan may be sanctioned, but business process has implemented procedures to confirm that the application was filed before the loan is sanctioned to customer and to obtain the identification number within a reasonable period of time before disbursement of loan.

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

1. The Credit Head of Veritas Finance 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.
2. The Credit Head of Veritas Finance has the power to approve the following documents in lieu of ID and address proof.

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 + 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.
3. The Credit Head of Veritas Finance 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.
 4. 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.

IV. VERIFICATION

As a part of the credit Policy VERITAS FINANCE documents and implemented appropriate risk-based procedures designed to verify that it can form a reasonable belief that it knows the true identity of its customers. Verification of customer identity should occur before transacting with the customer. VERITAS FINANCE describes the acceptable methods of verification of customer identity, which includes verification through documents or non documentary verification methods that are appropriate and the associated risks.

i. *Verification through documents:*

These documents may include, but are not limited to the list of documents that can be accepted as proof of identity and address from customers by VERITAS FINANCE as provided in annexure to this policy. These are appropriately covered in the credit policy of VERITAS FINANCE.

Veritas Finance also accepts physical Aadhaar card / letter issued by UIDAI containing details of name, address and Aadhaar number received through post is also accepted as an 'Officially Valid Document'.

As per RBI instruction Veritas Finance also downloads e-Aadhaar from UIDAI website as an officially valid document subject to the following:

- a) If the prospective customer knows only his / her Aadhaar number, Veritas Finance needs to print the prospective customer's e-Aadhaar letter in the company directly from the UIDAI portal; or adopt e-KYC procedure as mentioned below.
- b) If the prospective customer carries a copy of the e-Aadhaar downloaded elsewhere, Veritas Finance prints the prospective customer's e-Aadhaar letter directly from the UIDAI portal; or adopt e-KYC procedure as mentioned below.

Verification through non-documentary methods:

Indeed VERITAS FINANCE mainly depend upon this method

1. Contacting or visiting a customer;
 2. Independently verifying the customer's identity through the comparison of information provided by the customer with information obtained from a consumer reporting agency, public database, or other source;
 3. Checking references with other financial institutions; or
 4. Obtaining a financial statement.
- ii. *Additional verification procedures.*

The business process verification procedures of Veritas Finance also addresses the following situations where:

1. A person is unable to present an unexpired government-issued identification document that bears a photograph or similar safeguard;
2. The sales executive is not familiar with the documents presented;
3. Where the sales executive is otherwise presented with circumstances that increase the risk that it will be unable to verify the true identity of a customer through documents; and
4. If the sales executive cannot verify the identity of a customer that is other than an individual, it may be necessary to obtain information about persons with authority or control over such account, including signatories, in order to verify the customer's identity.

The Credit Head along with Sales Head, advise the credit managers to make a personal visit to entangle the situation.

V. MAINTENANCE OF RECORDS OF TRANSACTIONS & IDENTITY

As unlikely as it will be in Veritas Finance case, due to its focus on lower income families, Veritas Finance has a system of maintaining proper record of transactions prescribed under Rule 3, of the Prevention of Money-Laundering and value of transactions, the procedure and manner of maintaining and verification and maintenance of records of the identity of the clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, as mentioned below:

- all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency
- all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh
- all cash transactions, where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place
- all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

Information to be preserved. As per the RBI guidelines, Veritas Finance maintains the following information in respect of transactions referred to in Rule 3

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

Maintenance and Preservation of records

Veritas Finance has a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. Veritas Finance will maintain for at least ten years from the date of cessation of transaction between VERITAS FINANCE and the customer, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

Veritas Finance also ensures that records pertaining to the identification of the customer and his / her address (e.g. copies of documents like passports, identity cards, driving licenses, PAN, utility bills etc.) obtained while opening the loan account and during the course of business relationship, are properly preserved for at least ten years after the

business relationship is ended. The identification records and transaction data will be made available to the competent authorities upon request.

VI. Enhanced Due Diligence

VERITAS FINANCE is primarily engaged in MSME finance. It does not deal with such category of customers who could pose a potential high risk of money laundering, terrorist financing or political corruption and are determined to warrant enhanced scrutiny. The existing credit policies of VERITAS FINANCE in respect of its various businesses ensure that VERITAS FINANCE is not transacting with such high risk customers.

VERITAS FINANCE shall conduct Enhanced Due Diligence in connection with all customers or accounts that are determined to pose a potential high risk and are determined to warrant enhanced scrutiny. Veritas Finance has established appropriate standards, methodology and procedures for conducting Enhanced Due Diligence, which shall involve conducting appropriate additional due diligence or investigative actions beyond what is required by standard KYC due diligence. Enhanced Due Diligence shall be coordinated and performed by VERITAS FINANCE.

The following are the indicative list where the risk perception of a customer which is considered higher:

- i. Customers requesting for frequent change of address/contact details
- ii. Sudden change in the loan account activity of the customers
- iii. Frequent closure and opening of loan accounts by the customers

Enhanced due diligence is in the nature of keeping the account monitored closely for a re-categorisation of risk, updation of fresh KYC documents, field investigation or visit of the customer, etc., which forms part of the credit policies of the businesses.

VII. Appointment of Principal Officer

Mr.D.Arulmany Managing Director & CEO will be the designated director who is responsible for ensuring overall compliance as required under PMLA Act and the Rules. V.G.Suchindran, CFO, is designated as Principal Officer who shall be responsible for furnishing of information to FIUIND.

As per the RBI guidelines, the Principal Officer is located at our corporate office and is responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He maintains a close liaison with enforcement agencies, other NBFCs and any other institution which are involved in the fight against money laundering and combating financing of terrorism.

VIII. E-KYC

Letter issued by Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number

Subsequent to the Government of India Notification No. 14/2010/F.No. 6/2/2007-ES dated December 16, 2010, the letter issued by Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number, is being accepted as an officially valid document as contained in Rule 2(1)(d) of the PML Rules, 2005. While opening loan accounts based on Aadhaar also, Veritas Finance Finance satisfies itself about the current address of the customer by obtaining required proof of the same as per extant instructions of RBI.

In order to reduce the risk of identity fraud, document forgery and have paperless KYC verification, UIDAI has launched its e-KYC service. Accordingly, RBI has decided to accept e-KYC service as a valid process for KYC verification under Prevention of Money Laundering (Maintenance of Records) Rules, 2005. Further, the information containing demographic details and photographs made available from UIDAI as a result of e-KYC process ("which is in an electronic form and accessible so as to be usable for a subsequent reference") may be treated as an 'Officially Valid Document' under PML Rules.

We are in the process of getting a proper infrastructure in place to enable biometric authentication for e-KYC.
