

KNOW YOUR CUSTOMER AND ANTI-MONEY LAUNDERING POLICY

**KUSHAL FINNOVATION CAPITAL PRIVATE
LIMITED**

KYC AML Policy	
KFCPL-KYC-AML-POL-2025	Classification: Internal - Privileged and Confidential

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LIST OF ABBREVIATIONS

1. **AML:** Anti-Money Laundering
2. **BT:** Balance Transfer
3. **CTR:** Cash Transaction Reports
4. **CVC:** Card Verification Code
5. **CBI:** Central Board of Investigation
6. **CERSAI:** Central Registry of Securitisation Asset Reconstruction and Security Interest of India
7. **CKYCRR:** Central KYC Records Registry
8. **Crs.:** Crores
9. **Etc.:** Etcetera
10. **FIU:** Financial Intelligence Unit
11. **KFCPL:** Kushal Finnovation Capital Private Limited
12. **i.e.:** For example
13. **KYC:** Know Your Customer
14. **NBFC:** Non-Banking Financial Company
15. **No.:** Number
16. **NRI:** Non-Resident Indian
17. **OVD:** Officially Valid Document
18. **PAN:** Permanent Account Number
19. **PO:** Principal Officer
20. **PPO:** Pension Payment Orders
21. **PEP:** Politically Exposed Persons
22. **RBI:** Reserve Bank of India
23. **RE:** Regulated Entities
24. **STR:** Suspicious Transaction Reports
25. **&:** And

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Know Your Customer Guidelines and Anti-Money Laundering Standards

The Reserve Bank of India (RBI) has issued comprehensive 'Know Your Customer' (KYC) Guidelines to all Non-Banking Financial Companies (NBFCs) in the context of the recommendations made by the Financial Action Task Force (FATF) and Anti Money Laundering (AML) standards and Combating Financing of Terrorism (CFT) policies as these being used as the International Benchmark for framing the stated policies, by the regulatory authorities. In view of the same, Kushal Finnovation Capital Private Limited ("the Company") has adopted the said KYC guidelines with suitable modifications depending on the activity undertaken by it.

The Company has ensured that a proper policy framework on adoption of KYC and AML measures are formulated in line with the prescribed RBI guidelines in terms of RBI Master Direction - Know Your Customer (KYC) Direction, 2016 DBR.AML.BC.No81/14.01.001/2015-16 dated February 25, 2016, as updated up to June 12, 2025 and duly approved by its Board ("Board"). The policy applies to all products, services, employees, and customers of KFCPL.

1. Objective:

Objective of RBI guidelines is to prevent NBFCs being used, intentionally or unintentionally by criminal elements for money laundering activities. The guidelines also mandates making reasonable efforts to determine the true identity and beneficial ownership of accounts, source of funds, the nature of customer's business, reasonableness of operations in the account in relation to the customer's business, etc. which in turn helps the Company to manage its risks prudently. Accordingly, the main objective of this policy is to enable the Company to have positive identification of its customers.

The policy seeks to ensure compliance with PML Act/Rules, including regulatory instructions in this regard and should provide a bulwark against threats arising from money laundering, terrorist financing, proliferation financing and other related risks. While ensuring compliance of the legal/regulatory requirements as above, the Company shall adopt best international practices taking into account the FATF standards and FATF guidance notes, for managing risks better.

In view of the above, this policy of KFCPL has been framed to broadly achieve the following purposes:

- a) To prevent criminal elements from using KFCPL for money laundering activities.
- b) To enable KFCPL to know/ understand its customers and their financial dealings better which, in turn, would help the Company to manage risks prudently.
- c) To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.
- d) To establish as a compliant organization with applicable laws and regulatory guidelines.
- e) To ensure that the concerned staff are adequately trained in KYC/AML/CFT procedures.

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2. **Definition:**

Accounts refer to all loan accounts or financial relationships maintained by KFCPL with its customers.

Beneficial Owner refers to the natural person(s) who ultimately owns or controls a customer and/or the person on whose behalf a transaction is being conducted. In case of:

- a company: the person(s) owning or controlling more than 10% of the shares, capital, or voting rights or who exercises control through other means,
- a partnership: the person(s) owning or entitled to more than 10% of the capital or profits,
- an unincorporated association or body of individuals: the person(s) entitled to more than 15% of the property, capital, or profits,
- a trust: the author, trustee, beneficiaries with 15% or more interest, and any person exercising ultimate effective control,
- if no natural person is identified in the above, the senior managing official shall be deemed the beneficial owner.

Customer means any person who is engaged in a financial transaction or activity with KFCPL and includes a person on whose behalf another person is acting in such transaction or activity.

Customer Due Diligence (CDD) refers to the process of identifying and verifying the customer and beneficial owner using reliable, independent source documents, data, or information to form a reasonable belief about their true identity.

Customer Identification refers to the application of CDD measures at the time of establishing a business relationship or conducting certain financial transactions, as required by RBI regulations.

Certified Copy means comparing the copy of an Officially Valid Document (OVD) or proof of possession of Aadhaar number with the original and recording the verification by an authorised officer of the Company. In the case of NRIs or Persons of Indian Origin (PIOs), the certified copy may be provided by:

- authorised officials of overseas branches of Scheduled Commercial Banks registered in India,
- branches of overseas banks with whom Indian banks have relationships,
- Notary Public abroad,
- Court Magistrate or Judge, or

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- Indian Embassy/Consulate in the country of residence.

A certified copy may also include an equivalent e-document bearing a valid digital signature issued by the authority, including documents in the customer's DigiLocker.

Combating the Financing of Terrorism (CFT) refers to policies and procedures aimed at detecting, preventing, and reporting funds that may be used for terrorist activities, including identification of designated persons or entities as per applicable sanctions lists.

Customer Risk Profile means the risk categorization assigned to a customer based on factors such as geography, occupation, transaction behaviour, nature of business, and customer type, which determines the level of due diligence required.

Designated Director means a person designated by the Board of KFCPL to ensure overall compliance with the obligations under the Prevention of Money-Laundering Act, 2002 and the rules framed thereunder. For companies, this shall be a person part of the Board of Directors/Senior Management.

Digital KYC means capturing a live photograph of the customer and the OVD or online Aadhaar authentication through UIDAI (via OTP or biometric) may be used for identity verification, in compliance with UIDAI and RBI guidelines, along with latitude and longitude coordinates, by an authorised officer, as per RBI Master Directions, as updated up to June 12, 2025.

Digital Signature shall have the meaning assigned under the Information Technology Act, 2000, and refers to authentication of electronic records using electronic methods.

Equivalent E-document means an electronic version of a physical document issued directly by the issuing authority with a valid digital signature, including documents accessed via Digi Locker, as per the Information Technology Rules, 2016.

High-Risk Country means a country or jurisdiction that has been identified by the Financial Action Task Force (FATF), RBI, or other competent authority as having strategic deficiencies in its AML/CFT regime.

Money Laundering refers to the process of concealing the origin of money obtained from illicit activities and making it appear as if it is derived from legitimate sources. It includes placement, layering, and integration stages.

Non-face-to-face Customers are customers who are onboarded without any physical visits to KFCPL office.

Officially Valid Document (OVD) means one of the following:

- Passport,
- Driving License,

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- Voter ID issued by the Election Commission of India,
- Proof of possession of Aadhaar number (in masked form),

Ongoing Due Diligence refers to the continuous monitoring of transactions in a customer account to ensure that the transactions are consistent with the customer's profile and source of funds, and to identify and report any unusual or suspicious activity.

Person shall have the same meaning as assigned in Section 2(s) of the Prevention of Money Laundering Act, and includes:

- Individuals,
- Hindu Undivided Families,
- Companies,
- Firms,
- Associations of persons (incorporated or not),
- Artificial juridical persons, and
- Any agency, office, or branch owned or controlled by the above.

Principal Officer means an officer designated by the Company responsible for ensuring overall compliance with the obligations under the Prevention of Money-Laundering Act, 2002, including the monitoring of transactions and submission of information to the Financial Intelligence Unit - India (FIU-IND).

Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions, including Heads of States or Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned enterprises, and important political party officials. PEPs include both domestic and foreign individuals, and also their family members and close associates.

Reporting Entity (RE) means the NBFC, **“Kushal Finnovation Capital Private Limited”**.

Suspicious Transaction includes any (attempted or completed) transaction that:

- appears to involve proceeds of crime regardless of value especially when the amounts are received in cash,
- is made in circumstances of unusual or unjustified complexity,
- appears to lack economic or lawful purpose, or

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- gives rise to a suspicion of being linked to terrorism or terrorism financing.

This includes transactions involving funds suspected to be used for or linked to terrorist activities, persons or organizations suspected to be involved in terrorism, or designated under applicable sanctions lists.

Transaction means any financial or related activity including, but not limited to:

- deposits or transfers (cash, cheque, electronic),
- creation of fiduciary or legal arrangements,
- payments in connection with legal obligations,

Central KYC Records Registry (CKYCR) is the central repository (maintained by CERSAI) for storing and retrieving digitally submitted KYC records under the PML Rules.

FATF High-Risk Jurisdiction refers to countries identified by the Financial Action Task Force (FATF) as having strategic AML/CFT deficiencies and requiring enhanced due diligence and countermeasures by reporting entities.

3. **Customer Acceptance Policy (CAP):**

Kushal Finnovation Capital Private Limited (KFCPL), adopts a risk-based and inclusive Customer Acceptance Policy (CAP) to ensure that only those customers whose identities can be verified and who do not pose a disproportionate AML/CFT risk are onboarded. Establishment of any customer relationship is subject to the successful completion of Customer Due Diligence (CDD), which includes identification, verification of identity and address, and where applicable, beneficial ownership.

The Company shall not onboard or continue any relationship in cases where appropriate CDD measures cannot be applied due to the customer's refusal to cooperate or the non-reliability of the information and documents provided. Politically Exposed Persons (PEPs) and customers from high-risk jurisdictions, as identified by RBI or FATF, may only be onboarded after enhanced due diligence procedures have been completed and approval has been obtained from designated senior management.

KFCPL follows a risk-based approach for customer onboarding, meaning the level of documentation and verification shall vary depending on the risk category (Low, Medium, or High) assigned to the customer based on factors such as occupation, source of funds, geographic location, and type of transaction. At the same time, the Company is committed to financial inclusion and shall ensure that the implementation of this policy does not result in denial of services to financially or socially disadvantaged persons who are otherwise able to comply with the minimum requirements.

A detailed customer profile shall be created at the time of onboarding. This profile will include information such as the customer's identity, address, occupation, income source, purpose of the

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relationship, and, where applicable, beneficial ownership. The profile shall be treated as confidential and shall not be used for cross-selling or shared with third parties without consent, except as required by law.

Prior to onboarding, all prospective customers shall be screened against applicable regulatory and internal watchlists, including sanctions lists issued by the Government of India, RBI, United Nations Security Council (UNSC), and other competent authorities. If a match is found, the Company shall refuse to onboard the customer and shall report the matter in accordance with regulatory requirements.

The Company reserves the right to refuse or discontinue a customer relationship if the CDD process cannot be completed satisfactorily, or if there is suspicion of money laundering, terrorist financing, forgery, or other illegal activities. Any such refusal or discontinuation shall be documented with reasons and maintained for audit and regulatory review. Exceptions to the standard policy, where allowed under law or RBI guidelines, shall be duly recorded with appropriate justification.

4. Customer Identification Procedure (CIP):

KFCPL shall undertake customer identification at the time of establishing any account-based relationship, conducting high-value occasional transactions, renewal or whenever there is a doubt about the authenticity or adequacy of customer information.

Customer identification involves verifying the identity of the customer and, where applicable, the beneficial owner, using reliable, independent documents or data as prescribed by RBI. The process shall be completed before extending any financial services.

Customer identification involves verifying the identity of the customer and, where applicable, the beneficial owner, using reliable documents, data, or information as prescribed by RBI. For individuals, this includes a certified copy of an Officially Valid Document (OVD), PAN, a recent photograph, and current address proof. Where permitted, identification may be carried out through Digital KYC, in line with applicable RBI guidelines. The Sales/Credit team shall ensure all KYC documents submitted by customers are 'Officially Seen and Verified' in original. A record of such verification, signed by the Salesperson shall be maintained in the customer file.

For non-individuals (e.g., companies, partnerships, or trusts), KFCPL shall obtain and verify incorporation/registration documents, PAN, and a Board Resolution or letter of authority for the authorized signatory. In addition, CIBIL reports, MCA master data, and ownership and control structure shall be reviewed as part of the verification and risk assessment process.

CIP will be undertaken on the commencement of a loan account opening for a customer.

The Company will perform appropriate, specific and where necessary, Enhanced Due Diligence on its customers that is reasonably designed to know and verify the true identity of its customers and to detect and report instances of criminal activity, including money laundering or terrorist financing. The procedures, documentation, types of information obtained and levels of KYC due diligence to be performed will be based on the level of risk associated with the relationship (products, services, business processes, geographic locations) between the Company and the customer and the risk profile of the customer.

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5. **Customer Due Diligence (CDD) requirements:**

KFCPL shall implement a structured and risk-based Customer Due Diligence (CDD) process for all customers, in accordance with the Reserve Bank of India's Master Direction on KYC (as amended up to June 2025), the Prevention of Money-Laundering Act, 2002, and applicable regulatory requirements for NBFCs. CDD shall be conducted before establishing a relationship or executing any transaction meeting prescribed thresholds.

a. Identification

KFCPL shall take reasonable measures to verify the true identity of all customers. For individuals, the following shall be obtained:

- A certified copy of an Officially Valid Document (OVD) containing the customer's identity and address;
- PAN;
- One recent passport-size photograph;
- Where permitted, offline Aadhaar verification or Digital KYC;
- If the address on the OVD is not current, additional proof of address such as recent utility bills, tax receipts, or employer-issued letters, with the updated OVD to be collected within 3 months.

The Company may retrieve KYC records from the Central KYC Records Registry (CKYCR) using a valid KYC Identifier, subject to the customer's explicit consent, unless:

- The customer's information has changed;
- The current address needs to be verified;
- Enhanced due diligence is warranted; or
- The downloaded documents have expired.

For proprietary concerns, documents such as a valid business registration certificate, GST registration, Shop & Establishment license, or other government-issued business proof shall be collected. Where only one document is available, reasons shall be recorded for accepting a single proof of activity.

For companies and other legal entities, the following documents shall be obtained:

- Certificate of Incorporation;
- PAN of the entity;
- Memorandum and Articles of Association / Partnership Deed / Trust Deed, as applicable;
- Board Resolution or letter of authorization for the person acting on behalf of the entity;
- Identity and address proof of authorized signatories (using OVDs listed above);
- List of directors/partners/trustees/office bearers;
- Beneficial ownership declaration based on applicable thresholds.

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If an existing KYC-compliant customer seeks to open another account and there is no change in information, fresh documentation is not required. In case of an address change, a self-declaration and supporting proof shall be collected.

b. Verification

Verification of the customer's identity must be completed before entering into any transaction. KFCPL shall adopt both documentary and non-documentary verification methods, depending on the risk category, nature of the customer, and associated product.

Documentary Verification:

- Original documents shall be verified and certified copies shall be retained.
- Acceptable documents include Passport, Driving Licence, Voter ID, Aadhaar (masked), utility bills, tax receipts, or government-issued address proof.

Non-documentary Verification:

- Contacting or visiting the customer;
- Independent verification using public databases (e.g., CIBIL, Probe, UDIN, MCA Master Data);
- Reference checks from other financial institutions;
- Assessment of financial statements and credit reports.

Digital KYC process may be used, subject to compliance with RBI-prescribed procedures such as live photo capture, document authentication, and geo-tagging. KFCPL will monitor updates from FATF (e.g., grey/blacklist notices) and act accordingly.

c. Resolution of Discrepancies:

If any discrepancies arise during the CDD process, the Company shall initiate a resolution procedure. Where discrepancies remain unresolved, or identity cannot be reasonably established, the Company shall not proceed with onboarding or shall discontinue the relationship, and may consider filing a Suspicious Transaction Report (STR) where appropriate.

All CDD records, verification logs, and related documentation shall be retained as per the Company's privacy policy and made available for regulatory inspection as required.

6. Risk Management:

KFCPL adopts a comprehensive Risk-Based Approach (RBA) to identify, assess, and mitigate the risk of money laundering (ML) and terrorist financing (TF) across its customer base, operations, products, and delivery channels. The Company recognizes that not all customers pose the same level of risk and, therefore, implements differentiated due diligence and monitoring procedures based on risk exposure.

KFCPL is committed to applying proportional risk controls while maintaining a strong compliance posture. The Board and Senior Management are responsible for establishing an effective risk management structure that supports informed decision-making in customer onboarding, transaction monitoring, and escalation protocols.

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The Company classifies customers into three broad categories—Low Risk, Medium Risk, and High Risk—based on multiple risk factors such as nature of business, source of income, transaction pattern, geographical location, and delivery channel (e.g., face-to-face vs. non-face-to-face). This classification influences the intensity of due diligence, frequency of KYC updates, and transaction monitoring requirements.

A documented risk profiling mechanism is used during customer onboarding to determine the appropriate risk category. The profile is reviewed periodically based on changes in transaction behavior, updated KYC records, regulatory guidance, or internal alerts.

For High-Risk customers, such as Politically Exposed Persons (PEPs), customers from FATF-identified jurisdictions, or non-face-to-face onboarding cases, KFCPL applies Enhanced Due Diligence (EDD) measures. These include additional KYC documentation, senior management approval, field verification, and more frequent monitoring. For high-risk or unverifiable cases, field investigation or third-party verification may be initiated to confirm customer identity, address, and business activity.

The Company uses credit bureau reports, MCA Master Data, and internal watchlists to support risk analysis and customer verification. A dedicated Compliance function oversees the implementation of risk controls and reports material risk exposures to the Board. As part of credit underwriting, CIBIL or other credit bureau checks shall be conducted for all individuals and entities to assess financial risk and indebtedness.

Risk management policies and systems are reviewed at least annually to account for evolving regulatory expectations, emerging typologies, and business developments. Training and internal audit functions support the continuous strengthening of the AML risk framework.

7. Risk Categorisation

KFCPL adopts a risk-based customer categorisation process to ensure that appropriate levels of due diligence are applied depending on the customer's risk profile. At the time of onboarding, and throughout the lifecycle of the relationship, each customer is assessed and classified into one of three categories—Low Risk, Medium Risk, or High Risk—based on the nature of the customer, source of funds, geographic exposure, business activity, mode of onboarding, and transaction behaviour. This classification helps the Company determine the extent and frequency of KYC verification, due diligence requirements, and the level of transaction monitoring to be applied.

Low Risk customers are individuals and entities with clearly verifiable identities, low transaction volumes, and stable profiles with minimal exposure to AML/CFT risks. These include salaried employees of reputed organisations, pensioners, beneficiaries of government schemes, and individuals with predictable financial behaviour.

Medium Risk customers are those whose profiles are moderately complex and may include professionals such as consultants or doctors, retailers, small business owners, or first-time borrowers. These customers generally present a moderate level of financial activity and risk, and require a balanced level of due diligence.

High Risk customers are those considered to have a greater potential for involvement in money laundering or terrorist financing due to various risk factors. These include Politically Exposed

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Persons (PEPs), non-governmental organisations (NGOs), trusts and charitable entities, individuals or entities from high-risk jurisdictions identified by FATF or RBI, and those engaged in cash-intensive businesses such as real estate agents, jewellers, or money service operators. High risk may also apply to customers with complex ownership structures or those onboarded through non-face-to-face channels. These customers require Enhanced Due Diligence (EDD), senior management approval for onboarding, and more frequent KYC reviews.

The risk categorisation shall be reviewed periodically based on changes in customer behaviour, updated documents, or any alerts received internally or from external sources such as regulators or credit bureaus. Changes in customer risk classification must be properly documented, approved by designated personnel, and updated in the Company's system.

8. Monitoring of Transactions:

Monitoring of transactions will be conducted taking into consideration the risk profile of the account. Special attention will be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent logical or visible lawful purpose. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer will be subjected to detailed scrutiny.

After due diligence at the appropriate levels in the company, transactions of suspicious nature and/or any other type of transaction notified under PML Act, 2002 will be reported to the appropriate authority and a record of such transaction will be preserved and maintained for a period as prescribed in the Act.

9. Periodic updation of KYC records (Ongoing Due Diligence):

Full KYC exercise (periodic updation) will be conducted at the time of onboarding or at the time of renewal or once in a year whichever is earlier. At the time of revalidation, the company shall obtain a fresh certified copy of the following:

1. PAN
2. Any OVD document
3. Digital KYC as per the provisions contained in the KYC Master Circular
4. However, in case of low-risk category and no change in status with respect to their identities and addresses, then a self-certification by the customer to that effect shall suffice in such cases. In case of change of address of such 'low risk' customers, they can forward a certified copy of proof of address by mail/post, etc.

10. Internal Controls and Audit Mechanism:

Company shall maintain a robust internal control system to ensure effective implementation of its KYC, AML, and CFT measures across all business functions. The Board of Directors is responsible for oversight, while day-to-day implementation is carried out under the supervision of the designated Senior Officers, who operate independently and is adequately resourced.

The Company shall enforce a maker-checker mechanism, segregate roles across departments, and ensure accountability in all KYC-related functions. Ongoing compliance monitoring shall be conducted to identify deviations, with appropriate escalation to senior management. All customers and transactions shall be screened against regulatory sanctions lists at the time of onboarding and periodically thereafter.

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The internal audit team shall review the implementation of KYC and AML controls at least annually, covering key areas such as customer due diligence, transaction monitoring, record-keeping, and reporting obligations. Findings shall be presented to the Audit Committee or the Board, and any deficiencies shall be addressed in a timely manner.

KFCPL shall also ensure that its technology systems supporting KYC processes have built-in safeguards to detect anomalies and prevent circumvention of compliance protocols. Documentation and audit trails of KYC/AML processes shall be maintained for regulatory inspection and internal review.

11. Record Management:

KFCPL shall maintain proper records of all customer identification and transaction data in accordance with the requirements of the Prevention of Money Laundering Act (PMLA), 2002, and RBI's KYC Master Directions. KYC documents, account opening forms, correspondence, and due diligence findings shall be preserved for a minimum period of five years after the business relationship has ended or the account is closed, whichever is later. Records of transactions, including both domestic and international fund transfers, shall also be maintained for at least five years from the date of the transaction.

Additionally, records of Suspicious Transaction Reports (STRs), Cash Transaction Reports (CTRs), and related internal reviews shall be securely stored and made available to regulators or law enforcement authorities upon request. All digital records, including those from Digital KYC, shall be retained with appropriate audit trails, access logs, and system time stamps to ensure traceability and authenticity. KFCPL shall also ensure that record maintenance practices comply with applicable data protection and confidentiality standards.

12. Customer Education:

The Company may regularly educate the customer of the objectives of the KYC programme. The Company on an ongoing basis educates the front desk staff, the corporate office staff, compliance teams and the new joiners on the elements of KYC through training programmes/e-mails.

13. Risk Assessment for New Technologies:

KFCPL shall assess the risks associated with the adoption of new technologies, delivery channels, and products prior to their implementation to ensure they do not expose the Company to heightened money laundering or terrorist financing risks. This includes technologies used for digital customer onboarding (such as Digital-KYC), mobile lending platforms, automated credit decision systems, or outsourced customer interfaces. Periodic penetration testing, data integrity validation, and AI/automation risk review shall be conducted for digital onboarding.

Before launching any such system, the Company shall conduct a documented risk assessment to evaluate potential vulnerabilities related to customer identification, data integrity, transaction monitoring, and fraud prevention.

Adequate safeguards shall be integrated into the technology, including encryption, audit trails, access controls, and real-time monitoring capabilities. The assessment shall also consider data privacy compliance, cyber security standards, and alignment with RBI guidelines. Any identified risk shall be mitigated through system design, policy controls, or operational procedures, and

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the implementation of such technologies shall be approved by senior management or the Board, wherever applicable.

14. Prevention of Money Laundering Act, 2002 – Obligations of Company in terms of rules notified thereunder:

KFCPL, as a Reporting Entity under the Prevention of Money Laundering Act, 2002 (PMLA), shall comply with all obligations prescribed under the Act and the rules notified thereunder. This includes implementing a robust framework for customer due diligence, maintenance and retention of transaction and KYC records, ongoing monitoring of customer activity, and reporting of suspicious and specified transactions to the Financial Intelligence Unit – India (FIU-IND).

The Company shall furnish Suspicious Transaction Reports (STRs), Cash Transaction Reports (CTRs), and any other prescribed reports in the format and timelines notified under the PML Rules. KFCPL shall ensure that all customer-facing and back-office teams are aware of these responsibilities and shall provide adequate training on PMLA compliance.

The Company shall not allow any transaction or continuation of a relationship if it cannot apply appropriate due diligence measures, or if the customer is found to be involved in money laundering, terrorism financing, or appears on sanction/watchlists issued by RBI or competent authorities. All policies, controls, and procedures shall be regularly reviewed to ensure alignment with the latest regulatory requirements under PMLA and its allied rules.

15. Central KYC Registry (CKYCR):

KFCPL shall comply with the requirements of the Central KYC Records Registry (CKYCR) as prescribed under Rule 9(1A) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 and the RBI Master Directions, as updated up to June 12, 2025. As a Reporting Entity, the Company shall upload the Know Your Customer (KYC) data of individual customers to the CKYCR within the prescribed timelines, in the format and manner specified by the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), which manages CKYCR.

At the time of onboarding a new individual customer, KFCPL shall verify whether the customer has a valid KYC Identifier (KYC ID) issued by CKYCR. If a KYC ID is provided, and the customer consents, the Company may retrieve the KYC records from CKYCR and rely on them, subject to the following conditions:

- The customer confirms there is no change in the information already submitted,
- The documents available from CKYCR are valid and current,
- The Company does not require fresh information for risk profiling or enhanced due diligence.

In cases where the KYC details downloaded from CKYCR are incomplete, outdated, or inconsistent, KFCPL shall carry out full KYC afresh and update the new records in the registry. Any change in customer particulars collected during periodic KYC updates must also be uploaded to CKYCR in a timely manner.

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The Senior Credit Officers of the Company shall oversee adherence to CKYCR upload and retrieval processes and ensure that all internal systems are integrated with the CKYCR framework as required.

16. Combating Financing of Terrorism:

KFCPL is committed to implementing effective measures to detect and prevent the misuse of its financial systems for the purpose of financing terrorism. As part of its obligations under the Prevention of Money Laundering Act, 2002 and in accordance with RBI directions, the Company shall ensure that customers and transactions are continuously screened against the lists of individuals and entities designated under the United Nations Security Council Resolutions (UNSCRs 1267, 1988, and 1989), as well as the list of terrorist organisations or individuals notified by the Ministry of Home Affairs (MHA) under the Unlawful Activities (Prevention) Act, 1967.

If any match is found during onboarding or periodic screening, KFCPL shall immediately freeze the concerned account or transaction and report the same to the Financial Intelligence Unit – India (FIU-IND) and the MHA, in accordance with the prescribed procedure. The Company shall also file a Suspicious Transaction Report (STR) where applicable.

To support this, the Board shall ensure periodic review of internal systems, screening tools, and staff training to maintain compliance with obligations under combating the financing of terrorism (CFT). The Company shall not engage with any customer or transaction that appears to be associated with terrorist financing or those listed under any relevant domestic or international sanctions.

17. Other Instructions

Secrecy Obligations and Sharing of Information

KFCPL shall maintain strict confidentiality regarding all customer information obtained in the course of a financial relationship. The Company shall treat customer data as private and protect it in accordance with the contractual obligation of trust and the applicable laws. In dealing with requests for customer information from government authorities, law enforcement agencies, or other external parties, the Company shall ensure that such disclosures are legally justified and do not violate the provisions relating to secrecy in financial transactions.

Exceptions to this obligation shall be limited to the following circumstances: (i) where disclosure is required by law or regulatory mandate, (ii) where there exists a duty to the public to disclose such information, (iii) where the interests of the Company require disclosure, and (iv) where the customer has given express or implied consent for such disclosure. Furthermore, KFCPL shall strictly comply with the provisions of Section 45NB of the Reserve Bank of India Act, 1934, which prohibits disclosure of customer information except as provided under the law.

The Company shall also ensure that internal access to customer information is governed by a clear need-to-know principle, supported by secure systems, audit trails, and staff awareness. Breach of confidentiality by any staff or agent shall be treated as a serious violation of Company policy and may attract disciplinary or legal action under applicable laws.

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Annexure A: Indicative List for Risk Categorisation

High Risk Customers

- Persons or entities listed under United Nations Security Council Resolutions (UNSCRs) such as 1267, 1373, and related updates;
- Individuals or entities listed under Section 51A of the Unlawful Activities (Prevention) Act (UAPA), 1967;
- Customers from jurisdictions identified by FATF as high-risk (grey/blacklisted);
- Politically Exposed Persons (PEPs), their relatives, close associates, and accounts where a PEP is the ultimate beneficial owner;
- Non-face-to-face customers
- Customers with opaque or complex ownership structures without a clear legitimate rationale;
- Trusts, charities, NGOs receiving foreign or high-value donations;
- Customers in industries prone to corruption or cash-intensive transactions (e.g., real estate, bullion, arms trading);
- Jewellers, high-value dealers (precious metals, art, etc.), gambling/gaming operators;
- Customers with adverse media, public reputation concerns, or included in watchlists (Interpol, FIU-IND alerts);
- Gatekeepers such as accountants, lawyers managing third-party funds where UBO is unclear;
- Multi-level marketing companies or unregulated investment entities;
- Prisoners or incarcerated individuals;
- Shell companies or businesses with no physical presence (except local agents);

Medium Risk Customers

- Stock brokers and sub-brokers;
- Import/export businesses;
- Dealers in automobiles, boats, aircraft;
- Electronics wholesalers, telecom service providers;
- Travel agencies and online ticketing portals;
- Internet cafés and shared telecom centres;
- Gas stations and fuel distributors.

Low Risk Customers

- Salaried individuals with verifiable income sources;
- Government employees and pensioners;
- Customers with small-ticket, low-risk profiles;
- Beneficiaries of government welfare schemes or students;
- Existing customers with consistent behaviour and reliable documentation.

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Annexure B: List of KYC Documents for Different Customer Types (As per Master Direction and PML Rules)

1. Individuals:
 - Mandatory: PAN (to be verified via issuing authority or Digi Locker)
 - Any one Officially Valid Document (OVD) for identity and address:
 - Passport
 - Driving Licence
 - Aadhaar (masked), subject to consent
 - Voter ID
 - Recent passport-size photograph
 - In case of foreign nationals: documents issued by government departments of foreign jurisdictions or embassy letters.
 - If OVD lacks current address: submit utility bill (≤ 2 months), property tax receipt, PPO, or employer-issued accommodation letter. Submit updated OVD within 3 months.
2. Proprietorship Firms: (Any 2 of the following)
 - Registration certificate
 - Shop & Establishment Act license
 - GST Certificate
 - Sales/Income Tax returns
 - Professional practice certificate
 - Importer Exporter Code (IEC)
 - Full ITR in name of proprietor
 - Utility bills If only one document is available, additional verification and contact point confirmation required.
3. Companies:
 - Certificate of Incorporation
 - PAN of Company
 - MOA & AOA
 - Board resolution & POA for authorised person
 - Individual KYC of signatory
4. Partnership Firms:
 - Registration certificate
 - Partnership deed
 - PAN of firm
 - KYC of authorised signatory
5. Trusts:
 - Trust deed
 - Registration certificate
 - PAN
 - KYC of authorised signatory
6. Unincorporated Association/BOI:
 - Resolution of managing body
 - PAN
 - POA for transacting person

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- KYC of authorised signatory
 - Supporting documents establishing legal existence
7. Others (e.g. societies, universities, panchayats):
- Authorisation letter for representative
 - KYC of authorised signatory
 - Documents to prove legal existence

Borrower-Specific Documentation

KYC & Business Profile

- PAN of Borrower
- Aadhaar of Authorised Signatory
- GST Certificate
- Udyam Registration (if applicable)
- Applicable Licences
- KYC of Group Concerns
- Proof of Ownership / Rent Agreement for:
 - Residential Property
 - Registered Office
 - Factory Unit / Godown

Guarantor Documents

- Aadhaar of Guarantor
- PAN of Guarantor
- Latest ITR (for proprietor/partner)
- CIBIL Consent
- Latest Shareholding Pattern
- Director Details (if applicable)

Financial Statements & Reports

- Audited Financials for Last 2 Years (with Notes to Accounts)
- Tax Audit Report & Annual Report for Last 2 Years
- Latest Provisional Financials / MIS (if more than 3 months post FY closure)
- UDIN Verification (in case of proprietorship / partnership firm)

Detailed Schedules

- Loan & Advance (L&A) Schedule
- Quasi Capital Details
- Details of FD / Cash Reserves (mention if lien-marked or free-hold)
- Notes to Accounts:
 - Contingent Liabilities
 - Related Party Transactions

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GST Compliance

- GST Karza Report (all applicable states) OR
- GSTR Filings for Last 12 Months

Receivables & Payables

- Debtor List as on Balance Sheet Date
- Latest Debtor Ageing Report
- Creditor List as on Balance Sheet Date
- Latest Creditor Ageing Report

Banking Documents

- Last 12 Months Bank Statements for:
 - Current Account
 - Cash Credit (CC) / Overdraft (OD) / Export Packing Credit (EPC)
- Bank Guarantee (BG) / Letter of Credit (LC) Outstanding Details
- Latest Sanction Letter (not older than 15 months)
- Debt Profile:
 - Lender Name
 - Facility Type
 - Sanction Date
 - Sanctioned Limit and Outstanding
 - EMI / Tenure Details
- Stock Statement for Last 6 Months and March
- Case Specific: Top 5 Customer / Supplier Ledgers (in EPC or high exposure cases)

Credit Bureau Reports

- Consumer CIBIL – Personal Guarantor & Directors
- Commercial CIBIL – Borrower & Group Companies

Compliance & Legal Screening

- GST Compliance Status
- India Kanoon / Litigation Records
- CRED Check
- Internal Track Record (for existing borrowers)
- RBI Wilful Defaulter List
- Politically Exposed Person (PEP) Screening

Background Verification

- Google Search:
 - Promoters
 - Borrower
 - Group Companies
 - Top Debtors

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- Buyers / Suppliers with $\geq 20\%$ dependency
- MCA Charge & Director Probe
- Group Concern Probe
- Buyer / Supplier List for Bill Discounting (Top 10)

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Annexure C: Digital KYC Process

- KFCPL shall use a secured in-house application to conduct Digital KYC, accessible only to authorized officials using login credentials or time-bound OTPs.
- The customer live photograph will be captured and the KYC documents, GPS coordinates, date and timestamp shall be uploaded in the digital lending application.
- The system shall allow only live photos with a white background; no other person should be in the frame.
- The OVD shall be placed horizontally and captured vertically without tilt. Proper lighting and visibility are mandatory.
- Explicit consent is obtained from customers for the use of their data by third-party applications (such as Digio and Digi locker) solely for the purpose of verification and execution of loan documentation. The Company uses Digio and Digi locker platforms to facilitate the e-signing of loan agreements. As part of this process, OTP-based verification is carried out, wherein an OTP is sent to the customer's registered mobile number along with a consent message. Upon successful OTP verification, it is treated as the customer's valid electronic signature.
- A system-generated Loan Application reference number will be created and shared with the customer post signing of the agreement.
- The officer shall verify: (i) KYC documents such as Aadhaar, PAN (ii) Photo (iii) other documents: Bank Statements, Account Aggregator, ITR Files, GST details; The documents should be scanned, uploaded and maintained by Company. The original may be returned. These documents need to be approved or rejected by the officer and audit trail of the same needs to be maintained with officer name, date and time of approval.
- This process ensures secure, compliant, and traceable onboarding using RBI-approved Digital KYC guidelines under the KYC Master Directions, as updated up to June 12, 2025.

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