

# Arohan Financial Services Limited

## Anti-Money Laundering (AML) & Know Your Customer (KYC) Policy

### Version 10.2



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**Revision by** : Internal Audit Team

**Reviewed by** : Internal Audit Department, Compliance Department and Executive Committee

**Approved by** : Board of Directors

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## 1. Introduction

Arohan Financial Services Limited hereinafter referred to as Company or Arohan, recognizes its role as a corporate entity and endeavors to adopt the best practices with the highest standards of governance through transparency in business ethics, accountability to its customers, government and others.

This Anti–Money Laundering (AML) and Know your customer (KYC) policy is thus being designed in lines with “**AML RBI JULY1, 2015 NBS Master Circular no DNBR (PD) CC no. 051-03.10.119-2015-16**”, “**Master Direction DBR.AML.BC.No.81/14.01.001/2015-16**” and **Internal Risk Assessment for Money Laundering (ML) and Terrorist Financing (TF) Risks (“Direction”)** and the guidelines mentioned therein, as amended from time to time.

Arohan is committed to highest standards of AML, Counter Terrorism Financing (CFT), Anti –Fraud and other punishable criminal acts. The Board of Directors, Management and all employees shall adhere to these standards to protect the Company and its reputation from being misused for money laundering and/or terrorist financing or other illegal purposes.

## 2. Definitions:

“**Aadhaar number**”, shall have the meaning assigned to it in clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.

“**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.

### “**Beneficial Owner (BO)**”

a. Where the customer is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has/have a controlling ownership interest or who exercise control through other means.

Explanation- For the purpose of this sub-para -

1. “Controlling ownership interest” means ownership of/entitlement to more than 10 percent of the shares or capital or profits of the company.

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2. “Control” shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

b. Where the customer is a partnership firm, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 10 percent of capital or profits of the partnership or who exercises control through other means.

Explanation - For the purpose of this sub-para, “control” shall include the right to control the management or policy decision.

c. Where the customer is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 percent of the property or capital or profits of the unincorporated association or body of individuals.

Explanation: Term ‘body of individuals’ includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

d. Where the customer is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 10 percent or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

**“Customer Due Diligence (CDD)”** means identifying and verifying the customer and the beneficial owner using reliable and independent sources of identification.

Explanation – The CDD, at the time of commencement of an account-based relationship or while carrying out occasional transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or any international money transfer operations shall include:

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- (a) Identification of the customer, verification of their identity using reliable and independent sources of identification, obtaining information on the purpose and intended nature of the business relationship, where applicable;
- (b) Taking reasonable steps to understand the nature of the customer's business, and its ownership and control;
- (c) Determining whether a customer is acting on behalf of a beneficial owner, and identifying the beneficial owner and taking all steps to verify the identity of the beneficial owner, using reliable and independent sources of identification.

Any terminology not defined under this para shall have the same meaning/sense as assigned to it under the Master Direction - Know Your Customer (KYC) Direction, 2016, Prevention of Money-Laundering Act, 2002 ("Act/PML Act") and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 ("Rules/PML Rules") and amendments thereto.

**"Certified Copy"** - Obtaining a certified copy by the RE shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid document so produced by the customer with the original and recording the same on the copy by the authorised officer of the RE as per the provisions contained in the Act.

Provided that in case of Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs), as defined in Foreign Exchange Management (Deposit) Regulations, 2016 {FEMA 5(R)}, alternatively, the original certified copy, certified by any one of the following, may be obtained:

- 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,
- Judge,
- Indian Embassy/Consulate General in the country where the non-resident customer resides.

**"Customer"** is defined for the purpose of KYC Norms, as a person who is engaged in a financial transaction or activity with a reporting entity and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

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**“Central KYC Records Registry” (CKYCR)** means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

**“Designated Director”** means a person designated by the RE to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include:

- a. the Managing Director or a whole-time Director, duly authorized by the Board of Directors, if the RE is a company,
- b. the Managing Partner, if the RE is a partnership firm,
- c. the Proprietor, if the RE is a proprietorship concern,
- d. the Managing Trustee, if the RE is a trust,
- e. a person or individual, as the case may be, who controls and manages the affairs of the RE, if the RE is an unincorporated association or a body of individuals, and
- f. a person who holds the position of senior management or equivalent designated as a 'Designated Director' in respect of Cooperative Banks and Regional Rural Banks.

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.

**“Digital KYC”** means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the Company as per the provisions contained in the Act.

**“Equivalent e-document”**, shall mean an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per Rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.

**“Group”** – The term “group” shall have the same meaning assigned to it in clause (e) of sub-section (9) of section 286 of the Income-tax Act, 1961 (43 of 1961).

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**“Know Your Customer (KYC)”** is defined as the process by which the Company obtains information about the identity, address and activity of the customers. This process helps to ensure that Company’s services are not misused, intentionally or unintentionally by criminal elements for money laundering.

**“Know Your Client (KYC) Identifier”** means the unique number or code assigned to a customer by the Central KYC Records Registry.

**“Money Laundering”** is defined as direct or indirect attempts to indulge or knowingly assist or knowingly be a party or be actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property.

**“Non-profit organisations (NPO)”** means any entity or organisation, constituted for religious or charitable purposes referred to in clause (15) of section 2 of the Income-tax Act, 1961 (43 of 1961), that is registered as a trust or a society under the Societies Registration Act, 1860 or any similar State legislation or a company registered under Section 8 of the Companies Act, 2013 (18 of 2013).

**“Officially Valid Document” (OVD)** means the passport, the driving licence, 16proof 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,

- a. 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.
- b. 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:-
  - i. utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
  - ii. property or Municipal tax receipt;
  - iii. pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;

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iv. 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 licence agreements with such employers allotting official accommodation; c. the customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'b' above  
d. 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.

Explanation: For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.

**“Offline Verification”**, shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.

**“Offline Verification”**, shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.

**“Person”** has the same meaning assigned in the Act and includes:

- a. an individual,
- b. a Hindu undivided family,
- c. a company,
- d. a firm,
- e. an association of persons or a body of individuals, whether incorporated or not,
- f. every artificial juridical person, not falling within any one of the above persons (a to e), and
- g. any agency, office or branch owned or controlled by any of the above persons (a to f).

**“Principal Officer”** means an officer at the management level nominated by the Company, responsible for furnishing information as per rule 8 of the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 and its amendments thereto.

**“Politically Exposed Persons (PEPs)”** are individuals who are or have been entrusted with prominent public functions including the Heads of States/Governments, senior politicians, senior government *Not to be reproduced, copied, distributed or transmitted in any form or means without the prior written consent of Arohan Financial Services Limited.*

or judicial or military officers, senior executives of state-owned corporations and important political party officials.

**“Proceeds of crime”** means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to scheduled offence or the value of any such property or where such property is taken or held outside the country, then the property equivalent in value held within the country or abroad.”

**“Senior Management”** shall mean any person holding the position of CXOs, Chief Business Officer and Head of Credit in the Company and shall be acting either severally or jointly for the purpose of KYC compliance.

**“Suspicious Transaction”** means a “transaction” as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith

- a. gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- b. appears to be made in circumstances of unusual or unjustified complexity; or
- c. appears to not have economic rationale or bona-fide purpose; or
- d. 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”** is defined as a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes - opening of an account, deposits, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means, the use of a safety deposit box or any other form of safe deposit, entering into any fiduciary relationship, any payment made or received in whole or in part of any contractual or other legal obligation and establishing or creating a legal person or legal arrangement.

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### **3. Objectives**

The objective of this KYC/AML/CFT policy is to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities by complying with all applicable requirements under the applicable regulatory bodies and its regulations. Thus, Arohan aims to establish adequate procedures and internal controls to ensure compliance with all applicable regulations.

### **4. Applicability**

All the monetary transactions between Arohan and other parties (including its customer) will be covered under this policy. The management of Arohan as well as a Board of Directors shall be responsible to ensure adherence of the provisions mentioned in this policy. All the employees of Arohan shall come under the purview of this policy.

This policy will be effective from the date of approval by the Board of Directors of the company.

### **5. Preventive Measures**

The minimum standards shall be specific procedures for Customer identification, Know Your Customer, Household and/or Business verification, Referral check and Credit Bureau checks. All the employees shall be responsible to identify and report unusual and suspicious activity revealed during the following processes:

- Customer Identification: The Customer identification procedure (CIP) shall be defined in the operational policies/manual in lines to the guidelines specified in the Master Direction DBR. AML. BC. No. 81/14.01.001/2015-16; dated February 25, 2016, as amended from time to time along with the Directions specified hereunder.
- Customer Acceptance Policy (CAP): Clear customer acceptance policies and procedures shall be defined in the operational policies/manual in lines to the guidelines specified in the Master Direction DBR. AML. BC. No. 81/14.01.001/2015-16; dated February 25, 2016, as amended from time to time along with the Directions specified hereunder.
- In order to identify customers, recent photos of the customer will be collected and the same will be verified during household and/or Business verification.
- KYC documentation: The operation process shall be designed to ensure that the norms of RBI & MFIN, related to the KYC documentation are adhered. The KYC documents shall be preserved systematically as per guidelines of the RBI.

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- Household and/or Business verification: Verification of customers for any form of financial services from Arohan, will be done at either their home (preferably) and/or their place of business.
- Reference Check: Before granting any credit facility to the proposed customers, reference check shall be done. The feedback of the reference shall be documented.
- Credit Bureau Check: Before granting any credit facility, credit worthiness of the proposed customers shall be checked through Credit Bureaus. The Credit bureau report shall be kept along with the loan documents for future reference & scrutiny.
- Recording in MIS: Relevant information related to the individual customers shall be recorded in the MIS system while account creation and before making any financial transaction.
- Hiring of employees: At the time of recruiting, the KYC norms/AML standards/ CFT measures shall be adhered to and adequate screening mechanism will be exercised. The KYC documents of employees will be collected by the Human Resource Department. In addition, in the case of recruitment of field staff, household verification will also be conducted within 30 days from the date of his/her joining. If any unusual and suspicious activity comes into notice the same will be reported immediately to the Principal/Compliance Officer.
- Training: Employee training program shall be introduced to adequately train employees in AML/KYC/CFT policy. The training will be designed according to the different job roles & requirements for frontline staff, compliance staff and staff dealing with new customers.
- Properly staffing the audit function with persons adequately trained and well-versed in AML/KYC/CFT policies of Arohan, regulation and related issues shall be ensured.
- Technology requirements: The IT systems of Arohan shall be enabled with features to generate/ throw alerts when the transactions are inconsistent with the risk categorization and profile of the customers. The software shall be enabled to generate alerts for effective identification and reporting of suspicious transactions.
- Fund raising: While entering in to a deal for raising funds from anybody, other than a Bank or recognized Financial Institution the management of Arohan shall also do sufficient due diligence before signing the agreement. Any unusual and suspicious activity, if noticed, shall also be reported to the Compliance Officer.

The Management of Arohan as well as Board of Directors are responsible to ensure that the above-mentioned conditions shall be considered while designing/revising any policy related to any financial products.

#### **6A. Standard KYC Procedure**

The KYC procedure shall be completed while opening loan accounts and also has to be periodically updated. Arohan shall design and follow the KYC policy in line with the guidelines issues by the RBI and MFIN from time to time.

- At a minimum, two standard KYC documents need to be collected and captured in MIS. Staff or Representative of Arohan shall ensure that all photocopies are certified by the customer (by signing/thumb impression on them). The Staff or Representative of Arohan shall also verify photocopies against the original and put a stamp on the photocopies marking “Original Seen & Verified”, with his/her employee ID and sign it.
- KYC for the MFI segment: The KYC IDs shall be as per guidelines of RBI and MFIN. The Operational manual and policies shall also be in lines to these RBI and MFIN guidelines as updated from time to time. KYC for other lending segments: Refer Annexure 1.
- Updation/periodic updation of KYC: KYC exercise shall be done at the time of opening accounts of customers. Updation of KYC shall be done at least once in every two years for high-risk customers, once in every eight years for medium risk customers and once in every ten years for low-risk customers from the date of opening of the account / last KYC updation or every time facility is renewed/ replenished, whichever is earlier. KYC documents shall be preserved for at least 8 years after loan closure. Further, the identification records and transaction data shall be made available to the competent authorities upon request. Arohan shall advise the customers that in order to comply with the PML Rules, in case of any update in the documents submitted by the customer at the time of establishment of business relationship/account-based relationship and thereafter, as necessary, customers shall submit to the Arohan the update of such documents. This shall be done within 30 days of the update to the documents for the purpose of updating the records at Arohans’ end.
- Arohan, on case to case basis, may 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 updation/ periodic updation.

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- In order to ensure customer convenience, Arohan may consider making available the facility of updation/ periodic updation of KYC at any branch from time to time.
- A Unique Customer Identification Code (UCIC) shall be issued to identify the customers, avoid multiple identities, track the facilities availed, monitor financial transactions in a holistic manner and enable a better approach to risk profiling of customers. Arohan shall allot UCIC while entering into new relationships with individual customers as also the existing customers.
- In case of KYC document changes / updation, the physical copies of these KYC documents shall also be obtained from the customers in lines of compliance to the RBI and MFIN guidelines.
- Arohan shall also additionally submit the KYC data to the Credit Information Companies at a frequency and format as stipulated by RBI and MFIN or any other regulatory authority, which comes into force post implementation of this policy.
- Arohan shall undertake “Digital KYC” as capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the Company as per the provisions contained in the Act. And shall follow the steps to carry out the Digital KYC process as have also been stipulated in the Direction.

## **6 B. Procedure for obtaining Identification Information**

### **I. Customer Due Diligence (CDD) Procedure in case of Individuals**

For undertaking CDD, Arohan shall obtain the following information from an individual while establishing an account-based relationship or while dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:

a) the Aadhaar number where,

(i) he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016; or

(ii) he decides to submit his Aadhaar number voluntarily to a bank or any RE notified under first proviso to sub-section (1) of section 11A of the PML Act; or

(aa) the proof of possession of Aadhaar number where offline verification can be carried out; or

(ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; or  
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(ac) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; or  
(ad) the KYC Identifier with an explicit consent to download records from Central KYC Records Registry (“CKYCR”); and

b) the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and

c) such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as may be required by Arohan:

Provided that where the customer has submitted,

i) Aadhaar number under para (a) above to Arohan, the Company shall carry out authentication of the customer’s Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect to the Company.

ii) proof of possession of Aadhaar under para (aa) above where offline verification can be carried out, the Company shall carry out offline verification.

iii) an equivalent e-document of any OVD, the Company shall verify the digital signature as per the provisions of the Information Technology Act, 2000 and any rules issues thereunder and take a live photo as specified under this Direction.

iv) any OVD or proof of possession of Aadhaar number under para (ab) above where offline verification cannot be carried out, the Company shall carry out verification through digital KYC as specified under the Direction.

v) KYC Identifier under para (ac) above, the Company shall retrieve the KYC records online from the Central KYC Records Registry in accordance the Direction.

Provided further that in case e-KYC authentication cannot be performed for an individual desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 owing to injury, illness or

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infirmary on account of old age or otherwise, and similar causes, the Company shall, apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD or the equivalent e-document thereof from the customer. CDD done in this manner shall invariably be carried out by an official of the Company and such exception handling shall also be a part of the concurrent audit of the Company. The Company shall ensure to duly record the cases of exception handling in a centralised exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorising the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by the Company and shall be available for supervisory review.

b) In case the accounts opened using Aadhaar OTP based e-KYC, in non-face-to-face mode, are subject to the following conditions:

i. There must be a specific consent from the customer for authentication through OTP.

ii. As a risk-mitigating measure for such accounts, the Company shall ensure that transaction alerts, OTP, etc., are sent only to the mobile number of the customer registered with Aadhaar.

iii. As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.

iv. Accounts, borrowal, opened using OTP based e-KYC shall not be allowed for more than one year unless identification as per para 16 or as per para 18 of the Direction is carried out. If Aadhaar details are used under para 18 of the Direction, the process shall be followed in its entirety including fresh Aadhaar OTP authentication.

v. If the CDD procedure as mentioned above is not completed within a year, in respect of borrowal accounts no further debits shall be allowed.

vi. A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in non face-to-face mode with any other Regulated Entity. Further, while uploading KYC information to CKYCR, the Company shall clearly indicate that such accounts are opened using OTP based e-KYC and other Regulated Entities shall not open

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accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face to-face mode.

vi. Customer shall request to change the mobile number with below mentioned Documents submit to concern Branch.

- One request letter with details
- KYC Document

c) The Company may undertake V-CIP to carry out:

i) CDD in case of new customer on-boarding for individual customers, proprietor in case of proprietorship firm, authorised signatories and Beneficial Owners in case of Legal Entity customers.

Provided that in case of CDD of a proprietorship firm, Arohan shall also obtain the equivalent e-document of the activity proofs with respect to the proprietorship firm, as mentioned in para 28 and para 29 of this Direction, apart from undertaking CDD of the proprietor.

ii) Conversion of existing accounts opened in non-face to face mode using Aadhaar OTP based e-KYC authentication as per para 17 of the Direction.

iii) Updation/ Periodic updation of KYC for eligible customers.

The Company will adhere to the following minimum standards of V-CIP related to V-CIP Infrastructure, V-CIP Procedure, and V-CIP Records and Data Management as defined under this Direction from time to time.

d) In case the identity information relating to the Aadhaar number or Permanent Account Number submitted by the customer does not have current address, an OVD as defined in para 3(a) (xiv) of this Direction shall be obtained from the customer for this purpose.

“Provided that in case the OVD furnished by the customer does not contain updated address, the following documents shall be deemed to be OVDs for the limited purpose of proof of address: -

- utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- property or Municipal tax receipt;

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- iii. pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
- iv. 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;

Provided further that the customer shall submit Aadhaar or OVD updated with current address within a period of three months of submitting the above documents.

- v. 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.”

e) In case the customer eligible to be enrolled for Aadhaar and obtain a Permanent Account Number, does not submit the Aadhaar number or the Permanent Account Number/ form 60 at the time of commencement of an account based relationship with Arohan, the Customer shall submit the same within a period of six months from the date of the commencement of the account based relationship. In case the customer fails to submit the Aadhaar number or Permanent Account Number/form 60 within the aforesaid six months period, the said account shall cease to be operational till the time the Aadhaar number and Permanent Account Number/ form 60 is submitted by the customer.

f) Arohan shall duly inform the customer about this provision while opening the account.

g) The customer, eligible to be enrolled for Aadhaar and obtain the Permanent Account Number, except one who is a resident in the State of Jammu and Kashmir or Assam or Meghalaya, already having an account based relationship with Regulated Entities, shall submit the Aadhaar number and Permanent Account Number/ form 60 by such date as may be notified by the Central Government. In case the customer fails to submit the Aadhaar number and Permanent Account Number/form 60 by such date, the said account shall cease to be operational till the time the Aadhaar number and Permanent Account Number/form 60 is submitted by the customer.

Provided Arohan shall serve at least two notices for the compliance before such date.

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h) Arohan shall ensure that introduction is not to be sought while opening accounts.

i) Arohan shall verify the current address through positive confirmation before allowing operations in the account, PAN shall be obtained from the customer and shall be verified, customers shall be categorized as high-risk customers and accounts opened in non-face to face mode shall be subjected to enhanced monitoring until the identity of the customer is verified in face-to-face manner or through V-CIP, etc.

## **II. Customer Due Diligence (CDD) Procedure in case of Company**

For opening an account of a company, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- (a) Certificate of incorporation
- (b) Memorandum and Articles of Association
- (c) Permanent Account Number of the company
- (d) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
- (e) Documents, as specified in para 16, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf
- (f) the names of the relevant persons holding senior management position; and
- (g) the registered office and the principal place of its business, if it is different.

## **III. Customer Due Diligence (CDD) Procedure in case of Sole Proprietary firms**

For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out.

In addition to the above, 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:

- (a) Registration certificate including Udyam Registration Certificate (URC) issued by the Government
- (b) Certificate/licence issued by the municipal authorities under Shop and Establishment Act
- (c) Sales and income tax returns
- (d) CST/VAT/ GST certificate
- (e) Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities

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- (f) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT or Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute
- (g) 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
- (h) Utility bills such as electricity, water, landline telephone bills, etc.

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

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

## **7. Customer Acceptance**

Arohan, shall at all time ensure that:

- (a) No account is opened in anonymous or fictitious/benami name.
- (b) No account is opened where Arohan 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. Arohan shall consider filing Suspicious Transaction Report, if necessary, when it is unable to comply with the relevant CDD measures in relation to the customer.
- (c) No transaction or account-based relationship is undertaken without following the CDD procedure.
- (d) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- (e) Additional information, where such information requirement has not been specified in this Policy, is obtained with the explicit consent of the customer.
- (f) Arohan shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of the Company desires to avail any other product or service from Arohan, there shall be no need for a fresh CDD exercise as far as identification of the customer is concerned.
- (g) CDD Procedure is followed for all the joint account holders, while opening a joint account.

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(h) Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.

(i) 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 indicated in Chapter IX of the Direction.

(j) Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.

(k) Where an equivalent e-document is obtained from the customer, Arohan shall verify the digital signature as per the provisions of the Information Technology Act, 2000.

(l) Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.

Customer Acceptance Policy shall not result in denial of financial services to members of the general public, especially those, who are financially or socially disadvantaged.

Further, where Arohan forms a suspicion of money laundering or terrorist financing, and it reasonably believes that performing the CDD process will tip-off the customer, it shall not pursue the CDD process, and instead file an STR with FIU-IND.

#### **8. Reliance on Third party for Customer Due Diligence**

For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, Arohan, shall at their option, rely on customer due diligence done by a third party, subject to the following conditions:

- a. Records or the information of the customer due diligence carried out by the third party is obtained immediately from the third party or from the Central KYC Records Registry.
- b. Adequate steps are taken by Arohan to satisfy itself 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.
- c. 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 Act.
- d. The third party shall not be based in a country or jurisdiction assessed as high risk.

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- e. The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with Arohan.

## **9. Risk categorization of customers**

Customers in Arohan shall be categorized into various risk categories. This risk categorization shall apply to all the customers under the operational business segments under Arohan – MFI and other lending segments. The risk categorization shall be reviewed at Executive committee level on a half yearly basis in order to timely identify and meet the need of enhanced due diligence measures.

The customers of Arohan will be categorized into low, medium and high risk category based on their assessment and risk perception.

On the basis of the board parameters like State, Occupation/Sector/Industry, KYC, Delivery Channel, ML-TF Screening, Politically Exposed Persons (PEP), Type of customers, the Risk Categorization shall be done. Additionally, for the Term Loan, additional parameters like Company constitution, Bank statement, Directors/Promoters profile, beneficial owner checking shall be done for the Risk Categorization. Weights shall be assigned to arrive at scores, which shall further be categorized as High/Medium/Low risk.

### **(a) Low Risk Customers:**

Individuals (other than High Net Worth) and entities, whose identity and source of income, can be easily identified and customers in whose accounts the transactions confirm to a known profile, would be categorized as low risk. This shall include customers or entities operating in industry segments not mentioned under the negative list / caution profiles as defined by the existing Credit Policies of Arohan and/or Operational manual and policies.

Illustrative examples include, people belonging to lower economic strata, such as those funded under the category of Microfinance customer segments & Micro Enterprise Loan customer segment as defined in Arohan's Operations Manual, salaried employees and pensioners, government departments and government owned companies, regulators and statutory bodies, etc. Further, Non-Profit Organizations (NPOs)/ Non-Government Organizations (NGOs) promoted by the United Nations or its agencies, and such international/ multilateral organizations of repute, shall be classified as low risk customers.

### **(b) Medium Risk Customers:**

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Individuals and entities who are listed under the negative list / caution profiles as defined by the existing Credit Policies of Arohan and/or Operational manual and policies, shall be categorized as Medium risk customers.

Illustrative examples include Jewellers, Taxi Operators, etc.

Non-Profit Organizations (NPOs)/ Non-Government Organizations (NGOs) not promoted by the United Nations or its agencies shall be classified as medium risk customers.

**(c) High Risk Customers:**

High Net worth individuals and entities, who are likely to pose a higher than average risk would be categorized as high risk depending on the background, nature and location of activity, country of origin, sources of funds, customer profile, etc.

Customers requiring very high level of monitoring, e.g., Politically Exposed Persons (PEPs) of foreign origin, shall also be categorized as high risk.

**10. Identification of Beneficial Owner**

For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and all reasonable steps in terms of Rule 9(3) of the Rules to verify his/her identity shall be undertaken keeping in view the following:

- a. Where the customer or the owner of the controlling interest is (i) an entity listed on a stock exchange in India, or (ii) is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions, or (iii) is a subsidiary of such listed entities; it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such an entity.
- b. In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

**11. Monitoring of transactions**

Arohan shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile, the source of funds / wealth. Special monitoring shall be in place for the following:

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- Large and complex transactions with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
- Transactions which exceed the thresholds prescribed for specific categories of accounts.
- Transactions in lines to the RBI guideline for the reporting purpose to RBI, FIU-IND etc.
- Transactions involving large amounts of cash inconsistent with the normal and expected activity of the customer.
- In case unusual operations in any accounts, the matter shall be immediately reported to Reserve Bank and other appropriate authorities such as FIU-IND.

The extent of monitoring shall be aligned with the risk category of the customer. A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place. High risk accounts have to be subjected to more intensified monitoring.

## **12. Maintenance of records**

Arohan shall maintain proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML 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 all cash transactions integrally connected to each other which have been individually valued below Rupees Ten Lakh, or its equivalent in foreign currency which are that have taken place within a month and the monthly aggregate which exceeds rupees ten lakhs or its equivalent in foreign currency. For determining 'integrally connected transactions' 'all accounts of the same customer' shall be taken into account.
- All transactions involving receipts by non-profit organisations of value more than rupees ten lakh or its equivalent in foreign currency
- Arohan to ensure that in case of customers who are non-profit organisations, the details of such customers are registered on the DARPAN Portal of NITI Aayog. If such customers are not registered, Arohan shall register the details on the DARPAN Portal. Arohan shall also maintain such registration records for a period of ten years after the business relationship

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between the customer and the Arohan has ended or the account has been closed, whichever is later.

- 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 the transaction and
- All suspicious transactions, whether or not in cash, made as mentioned in the Rules.

Arohan shall maintain all necessary information in respect of transactions prescribed under PML Rule 3, so as to permit reconstruction of individual transaction, including the following information:

- 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; and
- the parties to the transaction.

The Company shall also refer to Chapter VII of Record Management in terms of RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16.

### **13. Preservation of Records**

- In lines with the PML Amendment Act 2012, Arohan shall maintain transaction records for at least 5 years, from the date of transaction between Arohan and the client. 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.
- Arohan shall ensure that records pertaining to the identification of the customers and their address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card, 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 of records and transaction data will be made available to the competent authorities upon request.

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- All documents/office records/memorandums pertaining to transactions, as far as possible, will be examined and any findings at branch as well as Principal Officer level shall be properly recorded. Such records and related documents shall be made available to help auditors to scrutinize the transactions and also to Reserve Bank/other relevant authorities.

#### **14. Combating Financing of Terrorism**

- I. In terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, Arohan shall ensure that it does 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 as available under the below links:
  - II. The **“ISIL (Da’esh) & Al-Qaida Sanctions List”**, established and maintained pursuant to Security Council resolutions 1267/1989/2253, which includes names of individuals and entities associated with the Al-Qaida is available at <https://scsanctions.un.org/ohz5jen-al-qaida.html>
  - III. The **“Taliban Sanctions List”**, established and maintained pursuant to Security Council resolution 1988 (2011), which includes names of individuals and entities associated with the Taliban is available at <https://scsanctions.un.org/3ppp1en-taliban.htm>

Arohan shall ensure refereeing the lists as available in the Schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as amended from time to time. The said lists, i.e., UNSC Sanctions Lists and lists as available in the Schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as amended from time to time, shall be verified on daily basis with the help of the automated tool and any modifications to the lists in terms of additions, deletions or other changes shall be taken into account by the Arohan for meticulous compliance.

Details of accounts resembling any of the individuals/entities in the list shall be reported to FIU-IND apart from advising Ministry of Home Affairs as required under UAPA notification dated February 02, 2021.

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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In term of Section 12A of the Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (WMD Act, 2005) and amendments thereto. The Reserve Bank of India (RBI) vide its Circular DOR.AML.REC.111/14.01.001/2023-24 dated April 28, 2023 and subsequent modifications thereof, have prescribed guidelines for freezing/unfreezing of accounts, financial assets, etc., of individuals / entities designated under the list as specified under Section 12A of the WMD Act, 2005.

In view of the above amendment, the Company will comply the below clauses:

- a) Arohan shall ensure not to carry out transactions in case the particulars of the individual / entity match with the particulars in the designated list.
- b) Arohan shall run a check, on the given parameters, at the time of establishing a relation with a customer and on a periodic basis to verify whether individuals and entities in the designated list are holding any funds, financial asset, etc., in the form of bank account, etc.
- c) In case of match in the above cases, Arohan shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the Central Nodal Officer (CNO), designated as the authority to exercise powers under Section 12A of the WMD Act, 2005. A copy of the communication shall be sent to State Nodal Officer, where the account / transaction is held and to the RBI. Arohan shall file an STR with FIU-IND covering all transactions in the accounts, covered above, carried through or attempted.
- d) Arohan may refer to the designated list, as amended from time to time, available on the portal of FIU-India.
- e) In case there are reasons to believe beyond doubt, that funds or assets held by a customer would fall under the purview of clause (a) or (b) of sub-section (2) of Section 12A of the WMD Act, 2005, Arohan shall prevent such individual/entity from conducting financial transactions, under intimation to the CNO by email, FAX and by post, without delay.
- f) In case an order to freeze assets under Section 12A is received by the Arohan from the CNO, Arohan shall, without delay, take necessary action to comply with the Order.
- g) The process of unfreezing of funds, etc., shall be carried out as per paragraph 7 of the Order. Accordingly, copy of application received from an individual/entity regarding unfreezing shall be forwarded by Arohan along with full details of the asset frozen, as given by the applicant, to the CNO by email, FAX and by post, within two working days.

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As mandated, Arohan shall ensure verification every day w.r.t., the 'UNSCR 1718 Sanctions List of Designated Individuals and Entities', as available at <https://www.mea.gov.in/Implementation-of-UNSC-Sanctions-DPRK.htm>, to take into account any modifications to the list by way of additions, deletions or other changes and also ensure compliance with the 'Implementation of Security Council Resolution on Democratic People's Republic of Korea Order, 2017', as amended from time to time by the Central Government.

### **15. Reporting to Financial Intelligence Unit - India**

In accordance to the PMLA rules, Arohan shall report following information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND):

#### **Cash Transaction Report:**

- Cash transaction report (CTR) for each month shall be submitted to FIU-IND by 15th of the succeeding month. As per the Rule 3(1) of PMLA Rules,
- Arohan will report\_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 the transactions
- While filing CTR, details of individual transactions below Rupees Fifty thousand need not be furnished
- All other instructions as mentioned in the guideline will be adhered to.

#### **Suspicious Transaction Report:**

- Suspicious Transaction Report (STR) shall 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 will record his/her reasons for treating any transaction or a series of transactions as suspicious.
- It shall be the responsibility of the Branch Heads and the concerned Area Manager to update the same to the Principal Officer.
- In lines to the indicative list of suspicious activities 'IBA's Guidance Note for Banks, January 2012', KYC/AML awareness shall be built amongst concerned staff and alerts on suspicious transactions to be enabled.

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- All other instructions as mentioned in the guideline will be adhered to.

**Non-Profit organization:**

The report of all transactions involving receipts by non- profit organizations of value more than rupees ten lakh or its equivalent in foreign currency shall be submitted every month to the Director, FIU-IND by 15th of the succeeding month in the prescribed format.

Apart from the above report submissions, information collected from the Customer shall be treated as confidential and such information will not be divulged or used for cross selling or any other like purposes. Arohan shall ensure that information sought from the Customer is relevant to the perceived risk, is not intrusive and is in conformity with the guidelines issued by regulators from time to time.

**16. Internal Control System**

All the employees of Arohan shall conduct themselves in accordance with the highest ethical standards and conduct business in accordance with this policy and other relevant policies framed on the basis of this policy.

The following shall be ensured for effectively implementing the AML/CFT requirements:

- Using a risk-based approach to address management and mitigation of various AML/CFT risks.
- Allocation of responsibility for effective implementation of policies and procedures.
- Independent evaluation by the compliance functions of policies and procedures, including legal and regulatory requirements.
- Concurrent/internal audit to verify the compliance with KYC/AML policies and procedures.
- Putting up consolidated note on such audits and compliance to the Audit Committee at quarterly intervals.

Failure to adhere to this policy may attract disciplinary action, including termination of employment against the concerned employee. The employees who suspect unethical behaviour shall refer the matter to appropriate personnel (Principle Officer) as directed by their businesses' policies and procedures.

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### **17. Principal Officer and Designated Director**

The “**Designated Director**” shall be designated by Arohan and shall be responsible to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall be nominated by Board. In Arohan, **Managing Director** shall be the **Designated Director** for the purpose.

The name, designation and address of the Designated Director shall be communicated to the FIU-IND. Further, the name, designation, address and contact details of the Designated Director shall also be communicated to the RBI. In no case, the Principal Officer shall be nominated as the 'Designated Director'.

The “**Principal Officer**” shall be designated by Arohan and shall be responsible for ensuring compliance, monitoring transactions and sharing and reporting information as required under the law/regulations. In Arohan, the **designated Principle Officer** shall be the Company Secretary and Chief Compliance Officer. The name, designation and address of the Principal Officer shall be communicated to the FIU-IND. Further, the name, designation, address and contact details of the Principal Officer shall also be communicated to the RBI.

The Principal Officer shall ensure that adequate measures are taken to update the provisions of other relevant policies framed in lines to the guidelines mentioned in this policy. The Principal officer shall be custodian of this policy. His/her other responsibility includes share periodical reports related to AML with the Executive Committee of the Management and /or Board, submission of unusual and suspicious activity, if noticed, to the regulatory/law enforcement authorities and also building adequate awareness among the organization about the requirement of the provision, stated in this policy.

### **18. Simplified procedure for opening accounts:**

In case a person who desires to open an account is not able to produce any of the OVDs, Arohan may at their discretion open accounts subject to the following conditions:

- a. Arohan shall obtain a self-attested photograph from the customer.
- b. The designated officer of the NBFC certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.
- c. The account shall remain operational initially for a period of twelve months, within which CDD as per para 6 of this policy shall be carried out.

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- d. Balances in all their accounts taken together shall not exceed rupees fifty thousand at any point of time.
- e. The total credit in all the accounts taken together shall not exceed rupees one lakh in a year.
- f. The customer shall be made aware that no further transactions will be permitted until the full KYC procedure is completed in case directions given under para (d) and (e) above are breached by him.
- g. The customer shall be notified when the balance reaches rupees forty thousand or the total credit in a year reaches rupees eighty thousand that appropriate documents for conducting the KYC must be submitted otherwise the operations in the account shall be stopped when the total balance in all the accounts taken together exceeds the limits prescribed in direction under para (d) and (e) above.
- h. The account shall be monitored and when there is suspicion of ML/TF activities or other high-risk scenarios, the identity of the customer shall be established as per para 6 of this policy.

#### **19. Selling Third party products**

Arohan while acting as agents while selling third party products as per regulations in force from time to time shall comply with the following aspects for the purpose of the Directions:

- (a) the identity and address of the walk-in customer shall be verified for transactions above rupees fifty thousand as required under para 13(e) of the Direction.
- (b) transaction details of sale of third-party products and related records shall be maintained as prescribed in para 46 of Chapter VII of the Direction.
- (c) AML software capable of capturing, generating and analyzing alerts for the purpose of filing CTR/STR in respect of transactions relating to third party products with customers including walk-in customers shall be available.
- (d) transactions involving rupees fifty thousand and above shall be undertaken only by:
  - debit to customers' account or against cheques; and
  - obtaining and verifying the PAN given by the account-based as well as walk-in customers.
- (e) Instruction at 'd' above shall also apply to sale of Arohan's own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for rupees fifty thousand and above.

**20. CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR)**

(a) Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015.

(b) In terms of provision of Rule 9(1A) of PML Rules, the REs shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer as per the Operational Guidelines for uploading the KYC data issued CERSAI. Moreover, a manual on video Customer Identification Procedure shall be as per guideline mentioned in the Master Direction DBR.AML.BC.No.81/14.01.001/2015-16" by Reserve Bank of India.

(c) Arohan 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.

(d) Arohan shall upload KYC records pertaining to accounts of LEs opened on or after April 1, 2021, with CKYCR in terms of the provisions of the Rules ibid. The KYC records have to be uploaded as per the LE Template released by CERSAI.

(e) Once KYC Identifier is generated by CKYCR, Arohan shall ensure that the same is communicated to the individual/LE as the case may be.

(f) In order to ensure that all KYC records are incrementally uploaded on to CKYCR, Arohan shall upload/update the KYC data pertaining to accounts of individual customers and LEs opened prior to the above mentioned date as given under sub-para (d), at the time of periodic updation as specified in the Direction, or earlier, when the updated KYC information is obtained/received from the customer. Also, whenever Arohan obtains additional or updated information from any customer as per sub-para (h), Arohan shall within seven days or within such period as may be notified by the Central Government, furnish the updated information to CKYCR, which shall update the KYC records of the existing customer in CKYCR. CKYCR shall thereafter inform electronically all the reporting entities who have dealt with the concerned customer regarding updation of KYC record of the said customer. Once CKYCR informs Arohan regarding an update in the KYC record of an existing

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customer, Arohan shall retrieve the updated KYC records from CKYCR and update the KYC record maintained by Arohan.

(g) The Company shall ensure that during periodic updation, the customers are migrated to the current CDD standard.

(h) Where a customer, for the purposes of establishing an account-based relationship, submits a KYC Identifier to a RE, with an explicit consent to download records from CKYCR, then such RE 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 –

- (i) there is a change in the information of the customer as existing in the records of CKYCR;
- (ii) the KYC record or information retrieved is incomplete or is not as per the current applicable KYC norms;
- (iii) the validity period of downloaded documents has lapsed;
- (iv) Arohan 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.

## **21. CTR and STR Process through software**

### **A. Screening Process & Customer Monitoring:**

A fast and seamless customer onboarding process is essential for Arohan in terms of customer experience. However, as an organization, we must protect ourselves from risks and meet the AML obligations in customer onboarding processes. For this reason, we perform customer risk screening in order to determine the risks of our customers during the customer account opening processes.

The purpose of customer screening and customer monitoring is to identify customer risks by making a risk assessment. The procedures implemented for this purpose are generally called "Know Your Customer" and "Customer Due Diligence" procedures. Know Your Customer (KYC) procedures are how customer information is collected, and customer information accuracy is checked. After the accuracy of the customer information is confirmed, customer due diligence check procedures is implemented. Some of the controls Arohan has implemented for risk assessment in customer screening and monitoring processes are sanctions, PEP, and adverse media screening. The Company's AML software makes customer risk screening and monitoring businesses faster and

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easier. Its database contains sanction, PEP, and adverse media data from various sources which helps Arohan to perform a global comprehensive risk control.

Where the Company is suspicious of money laundering or terrorist financing, and it reasonably believes that performing the CDD process will tip-off the customer, it shall not pursue the CDD process, and instead file an STR.

### **B. Transaction Monitoring:**

Transaction monitoring refers to the monitoring of customer transactions, including assessing historical/current customer information and interactions to provide a complete picture of customer activity. The software will typically use information from know your customer (KYC) processes to account for the customer risk. The risk measures are then used as part of rules/scenarios to identify certain account-based activities for investigation and possible disclosure.

The tailor made rules/ scenarios, Arohan have mapped in our system to trigger alerts includes:

1. **Rule 1 for EMI Receipts:** Maximum EMI acceptance without alerts should be OD EMI (if any) Plus Amount Equal to 2 EMIs (i.e. OD EMI + 2 EMIs).
2. **Rule 2 for Receipt of Loan Pre-Closure Amount:** Total Loan Pre-Closure Amount Plus 10% of the Pre-Closure Amount.
3. **Rule 3 for CTR & STR System Alerts:** Cash received in Excess of INR 10 lacs in any Customer Account (Relationship) in a month will Generate a System Alert immediately to the Compliance & CFO's team.

### **C. Filing of Suspicious Transaction Reporting (STR) and Cash Transaction Reporting (CTR):**

In terms of the PMLA rules, NBFCs are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND). The cash transaction report (CTR) for each month should be submitted to FIU-IND by 15th of the succeeding month. The Suspicious Transaction Report (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 Company shall file the STRs or CTRs through the AML Software to FIU-IND.

## **22. Compliance of this policy**

Arohan ensures compliance with this policy through its Senior Management and its Principal Officer who is responsible for effective implementation of policies and procedures as required for due *Not to be reproduced, copied, distributed or transmitted in any form or means without the prior written consent of Arohan Financial Services Limited.*



compliance of this policy, the Direction, the Act and the Rules, under the overall guidance and oversight of its Board of Directors and Committees constituted thereunder.

### **23. Other Requirements**

Arohan shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products. Accordingly, Arohan shall undertake the risk assessments prior to the launch or use of such products, practices, services and technologies; and take appropriate measures to manage and mitigate the risks.

### **24. Conclusion**

This policy is framed to take adequate measures for Anti Money Laundering activities. This policy specifies the preventive measures, required to identify unusual and suspicious activity before providing or taking financial assistance to/from the customers/other parties. It also specifies about the requirement of adequate internal control system for ensuring the adherence of the preventive measures, required for AML activities.

In addition of that this policy also summarized the role of AML Compliance Officer in relation to the measures as well as reporting requirement as per different regulatory bodies.

**Annexure 1: Officially Valid Documents for other business segments of Arohan**

<b>Accounts of individuals</b>	(a) Passport
	(b) PAN card
	(c) Voter's Identity Card
	(d) Driving License
	(e) Job Card issued by NREGA duly signed by an officer of the State Govt
	(f) Aadhaar Card or the letter issued by the Unique Identification Authority (UIDAI) containing details of name, address and Aadhaar number of India
<b>Accounts of Companies</b>	(a) Certificate of incorporation;
	(b) Memorandum and Articles of Association;
	(c) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; and
	(d) officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.
	(e) the names of the relevant persons holding senior management position; and
	(f) the registered office and the principal place of its business, if it is different.
<b>Accounts of Partnership firms</b>	(a) registration certificate;
	(b) partnership deed; and
	(c) officially valid document in respect of the person holding an attorney to transact on its behalf.
	(d) the names of all the partners; and
	(e) address of the registered office, and the principal place of its business, if it is different.
<b>Accounts of Trusts</b>	(a) registration certificate;
	(b) trust deed; and
	(c) officially valid document in respect of the person holding a power of attorney to transact on its behalf
	(d) the names of the beneficiaries, trustees, settlor and authors of the trust
	(e) the address of the registered office of the trust; and

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	(f) list of trustees and documents, as specified in Section 16, for those discharging role as trustee and authorised to transact on behalf of the trust.
<b>Accounts of unincorporated association or a body of individuals</b>	(a) resolution of the managing body of such association or body of individuals;
	(b) power of attorney granted to him to transact on its behalf;
	(c) an officially valid document in respect of the person holding an attorney to transact on its behalf; and
	(d) such information as may be required by the bank to collectively establish the legal existence of such an association or body of individuals.
<b>Accounts of Proprietorship Concerns</b>	Apart from Customer identification procedure as applicable to the proprietor any two of the following documents in the name of the proprietary concern would suffice
	(i) Registration certificate (in the case of a registered concern) (including Udyam Registration Certificate issued by the Governments)
	(ii) Certificate/licence issued by the Municipal authorities under Shop & Establishment Act,
	(iii) Sales and income tax returns
	(iv) CST/VAT certificate
	(v) Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities
	(vi) Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute. The 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.
	In cases where Arohan where it is not possible to furnish two such documents, Arohan shall accept only one documents as activity proof. In such cases, Arohan, however, would undertake verification & collect information to establish the existence of such firm, confirm, clarify and satisfy that the business activity has been verified from the address of the proprietary concern.