Akashdeep Metal Industries Limited

(CIN: L28998DL1983PLC017150)

Registered Office: 100 Vaishali, Pitampura
Delhi-110 034

Guidelines on "Know Your Customer" (KYC) and Anti-Money Laundering Standards (AML) Norms

Company has adopted following practice to comply with Reserve Bank of India (RBI) guidelines vide circular DNBS (PD) CC No. 339/03.10.42/2013-14 dated July 1, 2013 on "Know Your Customer" (KYC) Guidelines – Anti Money Laundering Standards (AML) for Non-Banking Finance Companies (NBFCs) thereby setting standards for prevention of money laundering activities and Corporate Practices while dealing with their customers. The Company shall adopt all practices prescribed by RBI from time to time and shall make appropriate modifications if any so prescribed.

For the purpose of KYC policy, a 'Customer' may be defined as:

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

Objective

The objective of KYC guidelines is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable Company to know/understand their customers and their financial dealings better, which in turn help them, manage their risks prudently. The Company hereunder framing its KYC policies incorporating the following four key elements:

1. Customer Acceptance Policy;
2. Customer Identification Procedures;
3. Monitoring of Transactions; and
4. Risk management.

Customer Acceptance Policy

The Company would develop a clear Customer Acceptance Policy laying down explicit criteria for acceptance of customers. The Customer Acceptance Policy must ensure that explicit guidelines are in place on the following aspects of customer relationship in the company:

a. No account is opened in anonymous or fictitious/benami name(s);
b. Classification of customers into various categories on the basis of risk perception.
c. Identification of the Customers as per Customer Identification Procedures before acceptance of Customers.

d. Obtaining the relevant information from the customers at the time of truncations carried out for the purpose of risk categorization.

<u>Customer Identification Procedures</u>

The policy approved by the Board of Directors should clearly spell out the Customer Identification Procedure to be carried out at different stages i.e. while establishing a business relationship; carrying out a financial transaction or when the Company has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. The Company will obtain sufficient information necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of business relationship. Being satisfied means that the Company must be able to satisfy the competent authorities that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place. Such risk-based approach is considered necessary to avoid disproportionate cost to Company and a burdensome regime for the customers. Besides risk perception, the nature of information/documents required would also depend on the type of customer (individual, corporate etc).

For customers that are natural persons, the Company will obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph. For customers that are legal persons or entities, the Company will (i) verify the legal status of the legal person/entity through proper and relevant documents (ii) verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person, (iii) understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person. Customer identification requirements in respect of a few typical cases, especially, legal persons requiring an extra element of caution are given in Annexure-I for guidance of Company.

The Company has framed its own internal guidelines based on their experience of dealing with such persons/entities, normal lender' prudence and the legal requirements as per established practices. Company will take reasonable measures to identify the beneficial owner(s) and verify his/her/their identity in a manner so that it is satisfied that it knows who the beneficial owner(s) is/are. An indicative list of the nature and type of documents/information that may be relied upon for customer identification is given in the Annexure-I. In the view of emerging business environment, the documents requirement will be reviewed periodically as and when require updating. The Board of Directors and management team is empowered to make amendment as and when required to the list of document required for Customer Identification Procedure.

<u>Monitoring of Transactions</u>

Ongoing monitoring is an essential element of effective KYC procedures. The Company can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk sensitivity of the account. The Company will pay special attention to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose in such type of transactions.

The Company will ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002. It may also be ensured that transactions of suspicious nature and/ or any other type of transaction notified under section 12 of the PML Act, 2002, shall be reported to the appropriate law enforcement authority by the Principal Officer.

Risk Management

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

The Company's internal audit and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures. As a general rule, the compliance function provides an independent evaluation of its own policies and procedures, including legal and regulatory requirements. The Company should ensure that its audit machinery is staffed adequately with individuals who are well versed in such policies and procedures when needed. Concurrent/Internal Auditors should specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard may be put up before the Audit Committee of the Board on quarterly intervals.

The Company must have an ongoing employee-training programme so that the members of the staff are adequately trained in KYC procedures when required. Training requirements should have different focuses for frontline staff, compliance staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

Customer Education

Implementation of KYC procedures requires Company to demand certain information from customers which may be of personal nature or which have hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. Therefore, the Company needs to prepare specific literature/pamphlets etc. so as to educate the customer of the objectives of the KYC programme. The front desk staff needs to be specially trained to handle such situations while dealing with customers.

Introduction of New Technologies – Credit cards

The Company will pay special attention to any money laundering threats that may arise from new or developing technologies including internet banking that might favor anonymity, and take measures, if needed, to prevent their use in money laundering schemes. Many Companies are engaged in the business of issuing a variety of Electronic Cards that are used by customers for buying goods and services, drawing cash from ATMs, and can be used for electronic transfer of funds. Further, marketing of these cards is generally done through the services of agents. The Company ensures that appropriate KYC procedures are duly applied before issuing the cards to the customers. It is also desirable that agents are also subjected to KYC measures.

Presently, the Company is not doing Credit Cards Business but will follows the guidelines as and when required.

Applicability to branches and subsidiaries outside India

The KYC guidelines prescribed by RBI shall also apply to the branches and majority owned subsidiaries located abroad, especially, in countries, which do not or insufficiently apply the FATF Recommendations, to the extent local laws permit. When local applicable laws and regulations prohibit implementation of these guidelines, the same should be brought to the notice of Reserve Bank.

Appointment of Principal Officer

The Company has to appoint a senior management officer to be designated as Principal Officer. Principal Officer shall be located at the head/corporate office of the bank and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He will maintain close liaison with enforcement agencies, banks and any other institution, which are involved in the fight against money laundering and combating financing of terrorism.

Annexure-I

Customer Identification Procedure features to be verified and Documents that may be obtained from the customers

Borrowers	Documents
In Case of Individual	(i) Passport (ii) PAN Card (iii) Voter's Identity Card (iv) Driving License (v) Identity Card (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer.
Permanent Address Proof	(i) Telephone Bill (ii) Bank Account Statement (iii) Letter from any recognized public authority (iv) Electricity Bill (v) Ration card (vi) Letter from employer.
In case of Companies	(i) Certificate of Incorporation and Memorandum & Articles of Association (ii) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account (iii) Power of Attorney granted to its managers, officers or employees to transact business on its behalf (iv) PAN Card (v) Telephone Bill.
In case of Partnership Firms	(i) Registration Certificate, if registered (ii) Partnership Deed (iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf (iv) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses (v) Telephone bill in the name of firm/partners.
In case of Trusts and Foundations	(i) Certificate of registration, if registered (ii) Power of Attorney granted to transact business on its behalf (iii) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/directors and their addresses (iv) Resolution of the managing body of the foundation/ association (v) Telephone Bill.