

**BEST CAPITAL SERVICES LIMITED**

**KNOW YOUR CUSTOMER AND ANTI-MONEY LAUNDERING POLICY**

**1. The Background:**

RBI has issued guidelines on Know Your Customer (KYC) standards and AML (Anti-Money Laundering) Standards vide a circular no. DNBS (PD). CC No 48/10.42/2004-05 dated February 21, 2005 and RBI has issued a Master Circular bearing circular No. DNBS (PD). CC No 184/03.10.42/2010-11 dated July 01, 2010 (Master Circular) wherein the RBI has consolidated and updated all the instructions to the KYC standards and AML Standards. The Guidelines issued with the circular are in the context of the recommendations made by the Financial Action Task Force (FATF) on anti-money laundering standards. Compliance with these standards by all NBFCs registered with RBI has become imperative. These Guidelines lay down the minimum requirements / disclosures to be made in respect of clients. This policy document is based on the RBI Guidelines and policy framework but amended at places to suit specific requirements of Best Capital Services Limited ("Best Capital")

**2. Preamble:**

Through the following Policy Guidelines, Best Capital stands committed to-

Accept only those clients whose identity is established by conducting due diligence appropriate to the risk profile of the Customer.

Record and preserve audit trail for the transactions conducted by Customers to facilitate investigation.

Report to Financial Intelligence Unit, India, or any other agency designated by Securities and Exchange Board of India or Government of India, the details of transactions of all or selected clients if and when requested or at regular frequency as may be suggested by such agencies, and

Cooperate with investigative agencies / law enforcement agencies in their efforts to trace the money laundering transactions and persons involved in such transactions.

**3. The Objective:**

"Money laundering" is the process by which persons with criminal intent or persons involved in criminal activity attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities, thereby avoiding prosecution, conviction and confiscation of the criminal funds. The term "Money Laundering" is also used when the funds are used for terrorist financing though the origin of the funds may be legitimate.

The objective of KYC guidelines is to prevent Best Capital from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable Best Capital to know/understand its customers and their financial dealings better which in turn help them manage Best Capital's risks prudently.

#### **4. The Approach:**

The approach towards KYC Standards is based on risk perception and money laundering threats that may be posed by different types of Customers. Best Capital shall be largely guided by the KYC standards prescribed by RBI for NBFCs.

KYC Standards & AML measures involve a customer acceptance policy and customer identification programme that involves enhanced due diligence for higher risk accounts, and includes account monitoring for suspicious activities. These standards constitute an essential part of risk management by providing the basis for identifying and controlling risk exposures, which the Best Capital takes to protect itself and its genuine Customers from the risks arising out of Suspicious Transactions/ risky Customers.

#### **5. Definitions:**

For the purpose of this policy,

“Customers or Clients” means

Corporate and other entities who borrow funds from the Company and corporate and other entities whom the Company assists in raising financing through capital market transactions

“Underwriting Guidelines” means Underwriting Guidelines of Best Capital as approved by the Board from time to time.

“Eligibility Criteria” means Eligibility Criteria of Best Capital as approved by the Board from time to time.

“Suspicious Transaction” as determined by the Rules notified under the PMLA means a transaction whether or not made in cash which, to a person acting in good faith:

- a) Give rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- b) Appears to be made in circumstances of unusual or unjustified complexity; or
- c) Appears to have no economic rationale or bonafide purpose.

#### **6. Customer Acceptance Policy (“CAP”):**

Before accepting a Customer, Best Capital shall ensure the following:

Any new Customer shall only be accepted after it has passed the Underwriting Guidelines and the Eligibility Criteria through the due-diligence process and has been approved by the Credit Committee.

All customers are classified as low, medium and high risk based on the nature of business activity, location of Customer and their clients, mode of payments, volume of turnover, social and financial status and other such categories as applicable.

The various documents and other information to be collected from different categories of Customers depending on perceived risk as per the classification above and the requirements of



Prevention of Money Laundering Act, 2002 and guidelines issued by Reserve Bank from time to time is given in Annexure [I];

Best Capital shall conduct necessary checks with the watch list of the RBI and other watch lists before accepting a new Customer so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc.

Best Capital shall prepare a brief customer profile on all its Customers. The customer profile may contain information relating to Customer's identity, social/financial status, nature of business activity, information about the Customer's business and their location etc. The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or any other purposes.

## **7. Customer Identification Procedure ("CIP"):**

For Customers that are corporates or other entities, Best Capital shall

- i. verify the legal status of the corporate / other entity through proper and relevant documents
- ii. verify that any person purporting to act on behalf of the corporate / other entity is so authorized and identify and verify the identity of that person,
- iii. obtain sufficient information in order to identify persons which beneficially own or have substantial control over such corporate / other entity. Best Capital will also obtain all the KYC documents as per Annexure [II] of the beneficial owner.

(the list of acceptable KYC documents is available in Annexure [II])

Best Capital shall verify the Customer's identity (including the beneficial owner's identity) using reliable, independent source documents, data and information, if such information is available.

Best Capital shall also document and implement procedures to resolve information discrepancies and to decline or cease to do business with a Customer when it cannot form a reasonable belief that it knows the true identity of such Customer or cannot adequately complete necessary due diligence. These procedures should include identification of responsible decision makers and escalation paths and detailed standards relating to what actions will be taken if a Customer's identity cannot be adequately verified.

Best Capital shall implement procedures for providing Customers with adequate notice that Best Capital is requesting information and taking actions in order to verify their identity. Best Capital shall determine the appropriate manner to deliver the notice, which shall be reasonably designed to ensure that the Customer is able to view or is otherwise given such notice prior to execution of the transaction.

## **8. Existing Customers:**

The requirements of the earlier sections are not applicable to transactions conducted prior to, on or after the effective date of this Manual by existing Customers, provided that Best Capital has previously verified the identity of the Customer and Best Capital continues to have a reasonable belief that it knows the true identity of the Customer. Further, the existing transactions should be continuously monitored and any unusual pattern in the operation of the account should trigger a review of the due diligence measures.

## 9. Reporting:

Best Capital does not accept deposits and the internal policies of Best Capital do not permit cash transactions with a value of Rs. 10 lakh and more. Nevertheless, if there were to be any such transactions in future, the business processes shall have a system of internal reporting of Suspicious Transactions and cash transactions of Rs. 10 lakh and above, whether such transactions comprise of a single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within a month;

Further, the Principal Officer shall furnish information of the above mentioned transactions to the Director, Financial Intelligence Unit, India (FIU-IND) at the prescribed address in the formats prescribed in this regard including the electronic filing of reports.

Provided that where the Principal Officer, has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued Rs.10 lakh so as to defeat the provisions of the PMLA regulations, such officer shall furnish information in respect of such transactions to the Director within the prescribed time.

## 10. Records Retention:

Best Capital shall document and implement appropriate procedures to retain records of KYC due diligence and anti money laundering measures. Best Capital shall implement, at a minimum, the following procedures for retaining records

Transactions for which records need to be maintained:

- i. All cash transactions of the value of more than Rs.10 lakh or its equivalent in foreign currency.
- ii. All series of cash transactions integrally connected to each other which have taken place in a single month and where the aggregate value of these transactions exceeds Rs.10 lakhs or its equivalent foreign currency.
- iii. All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place.
- iv. All Suspicious Transactions whether or not made in cash.

Information to be preserved:

The information required to be preserved with respect to the above transactions are the nature of transactions, amount and the currency in which it was denominated, date of transaction and the parties to the transaction. A copy of this information should be signed by the person heading the transaction and this should be maintained in a separate file along with all the other transaction related documents.

Periodicity of retention:

The following records shall be retained for a minimum period of ten years from the date of the relevant transaction:

- i) The Customer identification information and residence identification information including the documentary evidence thereof.
- ii) All other necessary records pertaining to the transactions that could be produced as evidence for prosecution of persons involved in criminal activity.

Iii) Further, a description of the methods used to verify Customer identity as well as a description of the resolution of any discrepancies in verification shall be maintained for a period of at least Ten (10) years after such record was created.

The above records shall be made available to the competent authorities upon request.

#### **11. Enhanced Due Diligence:**

Best Capital does not deal with such category of Customers who could pose a potential high risk of money laundering, terrorist financing or political corruption and are determined to warrant enhanced scrutiny.

The existing credit policies of Best Capital in respect of its Customers ensure that the Company is not transacting with such high risk Customers.

The Company shall conduct Enhanced Due Diligence in connection with all Customers that are determined to pose a potential high risk and are determined to warrant enhanced scrutiny.

Best Capital, who may engage appropriate outside investigative services or consult appropriate vendor sold databases when necessary.

Best Capital shall establish procedures to decline to do business with or discontinue relationships with any Customer when it cannot adequately complete necessary Enhanced Due Diligence or when the information received is deemed to have a significant adverse impact on reputational risk.

#### **12. Monitoring of Transactions:**

Ongoing monitoring is an essential element of effective KYC procedures.

Best Capital can effectively control and reduce the risk only if it has 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 Customer.

Best Capital should pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. High-risk Customers have to be subjected to intensified monitoring.

Best Capital shall periodically review and determine the need for applying enhanced due diligence measures based on the risk categorisation of Customers.

Best Capital, in its loan agreements with Customers, specifies the end-usage of the funding provided. The Company also tracks the end usage of funds through monitoring of the assets created by the Customer from the proceeds of the said funding

#### **13. Risk Management:**

Best Capital's internal audit and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures.

The compliance in this regard may be put up before the Audit Committee of the Board on quarterly intervals.



Best Capital shall have an ongoing employee training programme so that the members of the staff conducting the KYC are adequately trained in KYC procedures. It is crucial that all concerned staff fully understand the rationale behind the KYC policies and implement them consistently.

**14. Customer Education:**

If required, Best Capital may prepare specific literature/ pamphlets etc. so as to educate the customer of the objectives of the KYC programme.

**15. Applicability to branches and subsidiaries outside India:**

Presently, Best Capital does not have any branches and subsidiaries outside India. However, if Best Capital establishes such a branch or a majority owned subsidiary, which is located abroad, especially, in countries which do not or insufficiently apply the FATF Recommendations, Best Capital will ensure that the above guidelines are also implemented in these locations, to the extent local laws permit. When local applicable laws and regulations prohibit implementation of these guidelines, the same shall be brought to the notice of Reserve Bank of India.

**16. Appointment of Principal Officer:**

[Mr.Pankaj Vijayvargia] shall be designated as Principal Officer for the purpose of compliance with the rules and regulations of this policy. The Principal Officer can be contacted at the following address:

Attn: Mr.Pankaj Vijayvargia

Best Capital Services Limited.

701, 7th Floor, Luhadia Tower;

Ashok Marg, C-Scheme, Jaipur (Rajasthan) 302001

Phone+ 91 141-2378891

The Principal Officer shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law.

**17. Review**

A review of compliance under this policy would be done by the Management regularly and a consolidated report of such reviews will be submitted to the Audit Committee of the Board of Directors.

## Customer Identification Requirements

**A) Transactions with trust/nominee or fiduciaries**

1. There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the CIP.
2. Best Capital should determine whether the Customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, Best Capital may insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place.
3. While conducting a transaction with a trust, Best Capital should take reasonable precautions to verify the identity of the trustees and the settlors of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries should be identified when they are defined. In the case of a 'foundation', steps should be taken to verify the founder managers/ directors and the beneficiaries, if defined.

**B) Transactions with companies and firms**

1. Best Capital needs to be vigilant against business entities being used by individuals as a "front" for conducting transactions with the Company.
2. Best Capital should examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perception e.g. in the case of a public company it will not be necessary to identify all the shareholders.

**C) Transactions with Politically Exposed Persons (PEPs) resident outside India**

1. PEPs are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.
2. Best Capital should gather sufficient information on any person/Customer of this category intending to establish a relationship and check all the information available on the person in the public domain.
3. Best Capital should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a Customer.
4. Best Capital should also subject such transactions enhanced monitoring on an ongoing basis. The above norms may also be applied to transactions with the family members or close relatives of PEPs.

## Customer Identification Procedure

## Features to be verified and documents that may be obtained from Customers

Features	Documents
For Individuals (for proof of identity and address)	i. Passport ii. PAN card iii. Voter's Identity Card iv. Driving licence v. Identity card (subject to the bank's satisfaction) vi. Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of bank vii. Telephone bill viii. Bank account statement ix. Letter from any recognized public authority x. Electricity bill xi. Ration card xii. Letter from employer (subject to satisfaction of the bank) xiii. (any one document which provides customer information to the satisfaction of the bank will suffice)
For companies  Information required:  - Name of the company - Principal place of business	For all companies: i. Certificate of incorporation and Memorandum & Articles of Association ii. Resolution of the Board of Directors for acceptance of the transaction iii. Copy of PAN allotment letter In case of an NBFC: i. Certificate of Registration issued by RBI In case of a section 25 company: i. A copy of the letter issued by the Regional Director
For trusts & foundations Information required:  - Names of trustees, settlers, beneficiaries and signatories - Names and addresses of the founder, the managers/directors and the beneficiaries	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, settlors, beneficiaries and those holding Power of Attorney, founders/managers/ directors and their addresses  iv. Resolution of the managing body of the foundation/association