KNOW YOUR CUSTOMER" (KYC) AND ANTI MONEY LAUNDERING (AML) POLICY

Preamble:

The Reserve Bank of India (RBI) has issued guidelines on 'Know Your Customer' (KYC) Guidelines-Anti Money Laundering Standards for Non Banking Finance Companies (NBFCs) in the context of the recommendations made by the Financial Action Task Force (FATF) and Anti Money Laundering (AML) standards and Combating Financing of Terrorism (CFT) policies. RBI has advised all regulated entities to ensure that a proper policy framework on KYC and AML measures be formulated and put in place with the approval of the Board. Doubledot Finance Limited ("the Company") is Non-Banking Financial Institution (Regulated Entity as defined under these Directions), accordingly, in compliance with the guidelines issued by RBI from time to time, the following KYC & AML Policy has been adopted by the Board suitably. The contents of the policy shall always be read in tandem/auto-corrected with the changes/modifications which shall be advised by RBI from time to time

1. Introduction and Objectives

1.1. Purpose: This policy outlines the guidelines and procedures to ensure compliance with all applicable Know Your Customer (KYC) and Anti-Money Laundering (AML) laws and regulations.

1.2. Objectives:

- To prevent the company's services from being used for money laundering or terrorist financing activities.
- To establish an effective system for customer identification and verification.
- To manage risks associated with potential financial crimes.
- To enable the company to know and understand its customers and their financial dealings better.

1.3. Scope: This policy applies to all employees, branches, and relevant third parties of the company.

2. The Four Pillars of KYC/AML Policy

The policy is built upon the following four pillars:

2.1. Customer Acceptance Policy (CAP)

- No account will be opened in an anonymous or fictitious name.
- The policy defines criteria for customer acceptance, including specific guidelines for different customer types (e.g., individuals, corporations, non-profit organizations, Politically Exposed Persons (PEPs)).
- The company will gather sufficient information to form a reasonable belief about the true identity of each customer.

2.2. Customer Identification Procedure (CIP)

- Identification: The process of establishing who a person purports to be.
- Verification: The process of obtaining and verifying the customer's identity and residential address using reliable, independent documents.
- Required Documents: The policy will list "Officially Valid Documents" (OVDs) such as passport, driving license, Voter ID, PAN card, Aadhaar number, etc., for identity and address verification.
- Verification Methods: May include physical verification, document verification, and modern methods like video based customer identification process.

2.3. Monitoring of Transactions

- Ongoing monitoring is essential to ensure that customer transactions are consistent with the company's knowledge of the customer's business, risk profile, and source of funds.
- Special attention is paid to transactions that appear unusual or suspicious.
- A system for recording all transactions, including specific reporting thresholds (e.g., cash transactions over a certain limit), will be established.

2.4. Risk Management

- The company shall adopt a risk-based approach for all KYC/AML procedures.
- Customers will be categorized into low, medium, and high-risk groups based on parameters such as identity, social/financial status, nature of business, and location.
- The periodicity of KYC updates and the intensity of monitoring will depend on the risk category (e.g., high-risk customers require more frequent updates).

3. Internal Controls and Reporting

- Compliance Officer: A Principal Officer or Money Laundering Reporting Officer (MLRO) must be appointed to ensure overall compliance with the policy and regulatory requirements.
- Reporting: A clear procedure for reporting suspicious activities to the relevant Financial Intelligence Unit (FIU-IND in India) will be established.
- Record-Keeping: All necessary records of customer identification data and transactions must be maintained for a specified period (typically five years).
- Staff Training: All relevant staff will receive regular training on AML/KYC procedures, regulatory updates, and how to identify and report suspicious activities.
- Independent Audit: The AML/KYC program will be subject to regular independent testing and audits to assess its effectiveness.

4. Money Laundering and Terrorist Financing Risk Assessment by REs:

- The Company will carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise annually to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, geographic areas, products, services, transactions or delivery channels, etc.
- The internal risk assessment carried out by the Company should commensurate to its size, geographical presence, complexity of activities/structure, etc. and shall apply a Risk Based Approach for mitigation and management of the identified risks.
- Respective businesses shall have standard operating procedures for identification, mitigation, controls and procedures for management of the identified risk, if any. The risk assessment processes will be reviewed annually to ensure its robustness and effectiveness.
- The outcome of the exercise shall be put up to the risk management committee of the Board and should be available to competent authorities and self-regulating bodies.

5. Updation / Periodic Updation of KYC

- Updation of KYC shall be done at least every two years for high risk customers, every eight years for medium risk customers and every ten years for low-risk customers from the date of opening of account/ last KYC updation.

- The company shall obtain self-declaration from Individual customers and non-Individual customers incase of no change in their KYC details.

6. Record Keeping:

Maintenance of records of transactions: As unlikely as it will be in the Company's case, due to its focus on lower income individuals, the Company has a system of maintaining proper record of transactions prescribed Section 12 of the PMLA read with Rule 3 of the Prevention of Money Laundering Rules, 2005 (PML Rules) as mentioned below:

a) All cash transactions of the value of more than Rupees Ten Lakhs (Rs. 10,00,000/-) or its equivalent in foreign currency, though by policy the Company neither accepts cash deposits nor transactions in foreign currency.

b) All series of cash transactions integrally connected to each other which have been valued below Rs. 10,00,000/- (Rupees Ten Lakhs) or its equivalent in foreign currency where such series of transactions have taken place within a month.

c) All transactions involving receipts by non-profit organizations of Rs. 10,00,000/- (Rupees Ten Lakhs) or its equivalent in foreign currency.

d) 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; any such transactions.

e) All suspicious transactions whether or not made in cash and in manner as mentioned in the PML Rules framed by the Government of India under PMLA.

Records to contain the specified information: The Records referred to above in Rule 3 of PML Rules to contain the following information:

a) The nature of the transactions;

b) The amount of the transaction and the currency in which it was denominated;

c) The date on which the transaction was conducted;

d) The parties to the transaction. Maintenance and preservation of records

The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provisions of PML Act and Rules :

a) maintain all necessary records of transactions between the Company and the customer, for at least five years from the date of transaction;

b) preserve the records pertaining to the identification of the customers and their addresses obtained during the course of business relationship, for at least five years after the business relationship is ended;

c) The above records shall be maintained either in hard or soft format and shall be made available to the competent authorities upon request;

Assessment and Review

The Company shall also undertake periodic assessment of KYC/AML policies and procedures to ensure that compliance functions continue to function effectively