



BABA LEASE AND INVESTMENT PRIVATE LIMITED

(R.B.I. Registered NBFC)

Know Your Customer (KYC) & ANTI MONEY LAUNDERING (AML)
POLICY

Version	Approval Date	Approved By
V1	31 st May 2023	Board of Directors

Introduction

The Central Government of India, vide its notification no GSR 436 (E) dated July 1, 2005, had enacted Prevention of Money Laundering Act, 2002 (PMLA) to prevent conversion of illegal money to legal money, directly or indirectly and to curb threat to bank and financial institutions.

Reserve Bank of India has further issued Master Direction- Know Your Customer (KYC) Direction, 2016 including comprehensive guidelines on Know Your Customer (KYC) norms and Anti-money Laundering (AML) standards and has advised all NBFCs to ensure that a proper policy framework on KYC and AML measures be formulated and put in place with the approval of the Board.

The Know Your Customer, Anti-Money Laundering and Counter-Terrorism Financing Policy (the "Policy") applies to the Company. This Policy is consistent with and effectively implements the Reserve Bank of India's Master Directions – Know Your Customer (KYC) Direction, 2016 (last updated as on May 10, 2021). Non-Compliance with the Policy can result in serious consequence. 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.

Baba Lease and Investment Private Limited ('Company') shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications, if any necessary, to this policy to conform to the standards so prescribed.

This Policy requires the Company and each Employee to:

- Protect the Company from being used for money laundering or funding terrorist activities;
- Comply with the letter and the spirit of applicable AML/CTF Laws, and the Company's AML Program and procedures;
- Be alert to and escalate suspicious activity; and
- Cooperate with AML-related law enforcement and regulatory agencies to the extent permitted under applicable laws.

Policy Review and Approval

The Policy shall be reviewed/approved annually by the Board of Directors of the Company, and, more frequently, if changes are required as per amendments in the applicable rules, regulations.

Definitions

1. Customer: A 'Customer' is defined 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.
2. Non-face to face customers are customers open accounts without visiting the branch/offices of the REs or meeting the officials of REs.
3. 'Customer Due Diligence (CDD)' means identifying and verifying the customer and the beneficial owner
4. 'Customer identification' means undertaking the process of CDD
5. 'Know Your Client (KYC) Identifier' means the unique number or code assigned to a customer by the Central KYC Records Registry
6. Beneficial Owner: The term 'beneficial owner' has been defined as the natural person who ultimately owns or controls a client and/or the person on whose behalf the transaction is being conducted, and includes a person who exercises ultimate effective control over a juridical person.
7. Suspicious transaction: "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.
8. Officially Valid Document (OVD) means the passport, the driving license, proof 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, 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;
 - 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;
 - v. the customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'ii' above
 - vi. 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 1 - 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.

i. Certified Copy:

Obtaining a certified copy of documents 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 Company.

ii. Digital KYC:

Capturing the 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.

iii. Equivalent e-document:

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.

iv. Video based Customer Identification Process (V-CIP):

An alternate method of customer identification with facial recognition and customer due diligence by an authorised official of the RE by undertaking seamless, secure, live, informed-consent based audio-visual interaction with the customer to obtain identification information required for CDD purpose, and to ascertain the veracity of the information furnished by the customer through independent verification and maintaining audit trail of the process. Such processes complying with prescribed standards and procedures shall be treated on par with face-to-face Customer Identification Process for the purpose of this Master Direction.

v. Politically Exposed Persons (PEPs):

Individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.

vi. FATCA

It means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S Tax payers or foreign entities in which U.S Tax payers hold a substantial ownership interest.

All other expressions, unless defined herein, shall have the same meaning as have been assigned to them in the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1935, the Prevention of Money Laundering Act, 2002, the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, Reserve Bank of India - Master Direction - Know Your Customer (KYC) Direction, 2016, and regulations made thereunder, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

Key Elements of Policy

The Company is hereunder framing its KYC Policy incorporating the following four key elements:-

- a. Customer Acceptance Policy (CAP)
- b. Risk management
- c. Customer Identification Procedures (CIP)
- d. Monitoring of Transactions

Customer Acceptance Policy (CAP)

The guidelines for Customer Acceptance Policy (CAP) for the Company are given below:

- i. No transaction or account-based relationship is undertaken without following CDD procedures
- ii. No account is opened where the Company is unable to apply appropriate CDD measures i.e. the Company is unable to verify the identity and /or obtain documents required as per the risk categorization due to non-cooperation of the customer or non-reliability of the data/information furnished to the Company.
- iii. Any 'Optional'/additional information, is obtained with the explicit consent of the customer

after the account is opened.

- iv. No account is opened in anonymous or fictitious/ benami name(s)
- v. Necessary checks before opening a new account so as to ensure that the identity of the customer does not match with any person whose name appears in the sanctions lists circulated by Reserve Bank of India
- vi. CDD procedure is to be followed at the UCIC level.
- vii. CDD Procedure is followed for all the joint account holders, while opening a joint account.
- viii. Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- ix. Where an equivalent e-document is obtained from the customer, RE shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000)
- x. Adoption of customer acceptance policy should not be too restrictive and should not result in denial of financial services to general public, especially to those, who are financially or socially disadvantaged
- xi. No account shall be opened and/or held on behalf of a client/s by professional intermediaries, like Lawyers and Chartered Accountants, etc., who are unable to disclose true identity of the owner of the account/funds due to any professional obligation of customer confidentiality. Further, any professional intermediary who is under any obligation that inhibits the Company's ability to know and verify the true identity of the client on whose behalf the account is held or beneficial ownership of the account or understand true nature and purpose of transaction/s, should not be allowed to open an account on behalf of a client

Risk Management

There will be three categories of customers i.e. Low risk, Medium risk and High risk. Such levels will be decided on the basis of risk element involved in each case which will be determined by considering the following information submitted by the customer:

- i. Nature of business of the Customer
- ii. Work place of customer and of his clients
- iii. Social and financial status
- iv. Quantum & tenure of Loan facility applied for and proposed schedule for repayment of Loan
- v. Customer Type (Partnership, Pvt. Ltd. Public Ltd., Trust, NGOs etc)
- vi. Transparency in ownership & control structure
- vii. Businesses / Industries with high AML Risk. For example, dealers in high value or precious goods like bullion dealers, casinos and other gambling businesses, arms & ammunition manufacturers and dealers
- viii. Presence of PEP (Politically Exposed Person)

- ix. Company's activities involve extensive import/export activities

Customer Identification and Due Diligence Procedures

Customer Identification Procedure

The Customer Identification Procedure (CIP) to be carried out at different stages i.e. while establishing a business relationship; creating an account based 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.

- a. Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. The Company shall obtain sufficient information necessary to establish, to its satisfaction, the identity of every new customer, whether regular or occasional, and the purpose of the intended nature of business relationship.
- b. For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, the Company can, rely on customer due diligence done by a third party, subject to the following conditions:
 - i. Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.
 - ii. Adequate steps are taken by REs to satisfy themselves 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.
 - iii. 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 PML Act.
 - iv. The third party shall not be based in a country or jurisdiction assessed as high risk.
 - v. The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the Company.

An effective Customer Identification Program ("CIP") is an important part of the effort by Baba Lease and Investment Limited to know its customers. The Company's CIP is in terms of the Prevention of Money Laundering Act, 2002 and the relevant rules notified there under (PMLA), which contains provisions requiring the business processes to:

- i. Verify the identity of any Person transacting with the Company to the extent best possible;
- ii. Maintain records of the information used to verify a customer's identity, including name, address and other identifying information; and
- iii. Consult sanctions lists/ FATF statements of known or suspected terrorists:

Customer Due Diligence (CDD) Procedure

Individual

The Company, while establishing an account based relationship, shall obtain from an individual-

- a. Aadhaar number if he is desirous of receiving any benefit or subsidy under any scheme or the proof of possession of Aadhaar number where offline verification can be carried out; or 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; and
- b. PAN or Form No. 60 and
 - c. Such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-document

Provided that -

- i. Where Aadhaar is submitted, the Aadhaar number authentication will be done 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 RE.
- ii. Where Proof of possession of Aadhaar is submitted and offline verification can be carried out, the Company shall carry out offline verification.
- iii. Where an equivalent e-document of any OVD is submitted, the Company shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues thereunder and take a live photo as specified under Annex I of RBI's Master Direction on KYC.
- iv. Where any OVD or proof of possession of Aadhaar number is submitted and offline verification cannot be carried out, the RE shall carry out verification through digital KYC as specified under Annex I of RBI's Master Direction on KYC.

Video based customer identification process (V-CIP)

A method of customer identification by the Company by undertaking seamless, secure, real-time, consent based audio-visual interaction with the customer to obtain identification information including the documents required for CDD purpose, and to ascertain the veracity of the information furnished by the customer.

The Company may undertake live V-CIP for establishment of an account based relationship with an individual customer, after obtaining his informed consent and adhering to the procedures prescribed in RBI regulations. This process shall be treated as face to face process. The Company may undertake V-CIP to carry out:

- a. CDD in case of new customer on-boarding for individual customers, proprietor in case of proprietorship firm, authorised signatories and Beneficial Owners (BOs) in case of Legal Entity (LE) customers. Provided that in case of CDD of a proprietorship firm, Company shall also obtain the equivalent e-document of the activity proofs with respect to the proprietorship firm, as mentioned above, apart from undertaking CDD of the proprietor.
- b. Updation/Periodic updation of KYC for eligible customers.

The Company, while opting to undertake V-CIP, shall adhere to the minimum standards of V-CIP Infrastructure, V-CIP Procedure, V-CIP Records and Data Management as mentioned in RBI's Master Directions.

Sole Proprietary Firms

For opening an account in the name of a sole proprietorship firm, CDD of the individual (proprietor) shall be carried out as per documents mentioned in Annexure for Sole Proprietorship Firms.

Legal Entities

In case of opening of account in the name of legal entities such as company, partnership firm, unincorporated association or body of individuals or juridical persons (not specifically covered in the earlier part), such as societies, universities and local bodies like village panchayats. CDD shall be carried out as per documents mentioned in Annexure.

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 shall be taken to verify his/her identity keeping in view the following:

- a. Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.
- 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.

Monitoring of Transactions

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. The Company shall pay special attention to all complex, unusually large transactions, transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer and all unusual patterns which have no apparent economic or visible lawful purpose.

The extent of monitoring shall be aligned with the risk category of the customer. High risk accounts have to be subjected to more intensified monitoring. A system of periodic review of risk categorization 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.

The Company does not accept any deposits. Most of the Company's loans are EMI based loans on all categories of borrowers. Hence, the transactions with the Company are purely shall be restricted to the EMI/loan repayable over the tenor of the loan. Hence while the threshold limit for transactional basis is restricted to the EMI/loan payable, the threshold for turnover shall be restricted to the aggregate EMIs, Penal Interest, Fee and/or other payable year after year. No other transactions what so ever nature other than repayment of loan with interest is carried out by the customer with the Company.

Further, the Company may apply for getting licence of KYC User Agency (KUA) or Sub KUA to e-KYC Authentication as per the applicable Notification, Circular and Guidelines issued by RBI, UIDAI and other Regulatory or Statutory Authority for the doing the CDD by way authentication of Aadhaar, as may be permitted by RBI.

KYC periodic updations of on-boarded customers

The Company follows a Risk Based approach for KYC updation, where periodic updation is done:

- i. At least once in two years for high risk individuals and entities.
- ii. At least once in every eight years for medium risk

- iii. At least once in every ten years for low risk individuals and entities
- iv. The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC
- v. Documents, as specified in Annexure to be taken/reviewed at the time of periodic updation.

A. Individual Customers

However, in case of low risk customers when there is no change in status with respect to their identities and addresses, a self-declaration to that effect shall be obtained through the email ID/Mobile no. registered with the Company

In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through the email ID/Mobile no. registered with the Company and declared address shall be verified through positive confirmation within two months by means such as address verification letter, contact point verification, deliverables etc.

Fresh photographs will be required to be obtained from minor customer on becoming major. Fresh CDD & KYC, if required may be carried out.

B. Customers other than individuals:

In case of Legal entities, if there is no change in KYC then a self-declaration will suffice but in case if change in KYC, the Company shall review the documents sought at the time of opening of account and obtain fresh certified copies through the registered email id of the legal entity, further the Beneficial Ownership information available with the Company is to be accurate and updated as possible.

The Company may obtain a copy of OVD or deemed OVD or the equivalent e- documents thereof at their option.

C. Additional Measures:

The Company will ensure regularly that KYC documents are available with customers as per current CDD standards & in case the validity of CDD documents as available with the Company has expired, then the Company shall undertake the fresh KYC process as applicable to the new on-boarding customer.

Customer's PAN details, if available with the Company, are to be verified from the database of the issuing authority at the time of periodic updation of KYC.

Company shall ensure to provide acknowledgment with date of having performed KYC updation.

Physical presence of the clients may, however, not be insisted upon at the time of such periodic updations unless there are sufficient reasons that physical presence of the account holder/holders is required to establish their bona-fides. Normally, OVD/Consent forwarded by the customer through mail/post, etc., shall be acceptable

The Company may require more frequent periodicity of KYC updation than the minimum specified periodicity from time to time.

Fresh photographs will be required to be obtained from minor customer on becoming major.

Records Maintenance & Retention

The Company shall have a system of maintaining and preservation of proper record of transactions prescribed under rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005) , as amended from time to time.

The Company shall maintain for at least five years from the date of transaction between the Company and the client, all necessary records (in hard or soft format) of transactions, both domestic or international, which shall permit reconstruction of individual transactions.

The Company shall ensure that records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least five years after the business relationship is ended. The identification records and transaction data shall be made available to the competent authorities upon request.

Customer Education and Employee training

The Company takes all the necessary steps so as to educate the customer about the KYC requirement. through the front line staffs which are specially trained to deal with customers.

The Company on an ongoing basis conducts employee training program for frontline staff, thebranch staff and the new joiners and educates them on the elements of AML/KYC Program.

Appointment of Designated Director and Principal Officer

The Company shall also have a board appointed Designated Director and Principal Officer. Principal Officer shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the PML Act and Rules specified thereunder.

The name of the Designated Director and the Principal Officer so designated, his designation and address including changes from time to time, have to be intimated to the Director, FIU-IND andalso to RBI within one month of the appointment.

In no case, the Principal Officer shall be nominated as the Designated Director.

Reporting to Financial Intelligence Unit-India

All transactions of cash and suspicious as required under PML Act 2002 shall be reported to Financial Intelligence Unit (FIU) from time to time. The Principal Officer specified by theCompany shall ensure that such reporting system is in place and shall monitor receipt of the reports.

Requirements/Obligations under International Agreements communications from International Agencies

The Company shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act 1967, it does not have any account in names of individuals/entities , suspected to having terrorist links, as approved and circulated by United Nations Security Council (UNSC), The details of the two lists are as under;:

- a. The "ISIL (Da'esh) &Al-Qaida Sanctions List", which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & AlQaida Sanctions List is

available at: <https://scsanctions.un.org/ohz5jen-al-qaida.html>

- b. The “1988 Sanctions List”, consisting of individuals (Section A of the consolidated list) and entities (Section B) associated with the Taliban which is available at: <https://scsanctions.un.org/3ppp1en-taliban.html>
- c. Other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/entities from time to time.

Details of accounts resembling any of the individuals/entities in the list shall be reported to FIUIND and Ministry of Home Affairs as required under UAPA notification dated February 02, 2021 & meticulous compliance shall be ensured.

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.

The KYC policy will apply to Jurisdictions that do not or insufficiently apply the FATF Recommendations in the manner as mentioned in the Master Direction of KYC of RBI.

Secrecy Obligation and sharing of Information

The Company shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the customer and itself. No details shall be divulged without the express permission of the of the customer. While considering the requests from Government, Banks or other agencies the Company shall satisfy that the information is not of such nature as will violate the provisions of laws. Company shall follow Section 45NB of RBI Act 1934 in the matter. Exceptions to this rule as mentioned in the Master Direction Para 56 (d) will be applicable.

Sharing of KYC information with Central KYC Records Registry (CKYCR)

Company shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, RBI KYC Direction issued from time to time, as required by the KYC templates prepared for ‘individuals’ and ‘Legal Entities’ as the case may be. CERSAI guidelines for uploading will be applicable. The Company shall ensure that the KYC identifier is communicated to the individual/LE as the case may be.

Money Laundering and Terrorist Financing Risk Assessment

- a. The Company shall do ‘Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment’ exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk as per RBI’s guidelines.
- b. The risk assessment should be properly documented.
- c. The periodicity of risk assessment exercise shall be determined by the Board with minimum review at least annually.
- d. The outcome of the exercise shall be put up to the Board or any committee of the Board to which power in this regard has been delegated, and should be available to competent authorities and self-regulating bodies.
- e. The Company shall frame a Board Approved Risk Based Approach (RBA) for mitigation and management of the identified risk and should have Board approved policies, controls and procedures in this regard.

f. The Company shall monitor the implementation of the controls and enhance them if necessary.

Others

- a. The effective implementation of KYC Policy and its procedures is the prime responsibility of the Leadership team of Baba Lease and Investment Private Limited.
- b. Board would evaluate and ensure adherence to the KYC policies and procedures and provide independent evaluation of Company's own policies and procedures, including legal and regulatory requirements. The compliance in this regard would be put up before the Board.
- c. Decision-making functions of determining compliance with KYC norms should not be outsourced.

The Company shall follow all other instructions as mentioned under Chapter X of Master Direction of KYC.

In case of any discrepancy or amendment/change in the RBI Directions with respect to KYC & AML, the effective Directions shall automatically be applied to the Company.