

LARK TRADING AND FINANCE LIMITED

ANTI MONEY LAUNDERING POLICY AND KYC NORMS

1. Document Title

This policy document shall be titled Anti Money Laundering Policy and KYC Norms

2. Date of coming into force of the Policy

This policy shall come into force upon its approval by the Board of Directors of Lark Trading Finance Limited ('LTFL')

3. Applicability of the policy

This policy shall be applicable to all the establishments, branches, locations, etc. of LTFL where the Company carries on Non-Banking Financial Company activities.

4. Background

The Prevention of Money Laundering Act (PMLA) 2002 came into effect from 1 Jul 2005 through a Gazette of India notification of even date. As per the PMLA 2002, the offence of Money Laundering is defined as:

"Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering. "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."

Reserve Bank of India (hereinafter 'RBI'), one of the regulatory agencies entrusted with the responsibility of driving the anti-money laundering initiatives advised NBFCs to follow certain customer identification procedure for opening of accounts and monitoring transactions of a suspicious nature for the purpose of reporting it to appropriate authority. RBI revisited these guidelines from time to time keeping in view the recommendations of Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT).

RBI came up with detailed guidelines based on the above and the instructions issued on Customer Due Diligence (CDD) for Non-banking Financial Companies by the Basel Committee on Banking Supervision. RBI advised NBFCs to ensure that a proper policy framework on 'Know Your Customer' and Anti-Money Laundering measures with the approval of the Board is formulated and put in place. Accordingly, EFL put in place a KYC AMLA Policy with the approval of the Board on 18 Oct 2012. Based on the experience gained over the past year, the Anti-Money Laundering Policy (the Policy) is proposed to be reviewed and improved keeping in view the Master Circular on the subject issued by RBI on 1 Jul 2014 and the revised guidelines vide circular no RBI/2014-15/330 DNBR (PD).CC. No. 005 /03.10.42/2014-15 dated 1 Dec 2014.

5. Objectives of the policy

The objective of this policy is to enable LTFL to understand its customers and their financial dealings in the interest of managing the related risks better. The policy is intended at preventing the Company from being used, intentionally or unintentionally, for money laundering and related activities.

6. Know Your Customer (KYC) Standards

LTFL's KYC standards would include the following elements:-

6.1 Definition of Customer

For the purpose of this policy, a "customer" means any person or entity, who:

- Proposes to enter in to a loan, lease finance or hire purchase finance transaction in any of its derivatives or forms (hereinafter for brevity's sake referred to as 'financial transaction'), with LTFL;
- Is a Beneficial Owner (BO) of the financial transaction to be entered in to with the Company by any other person or entity;
- Is a beneficiary of a financial transaction to be entered in to with the Company by any intermediary; or
- Is neither of the above but is related with such financial transaction and has capability or power, under such financial transaction, to pose a significant risk, reputational or otherwise, to the Company

A "beneficial owner" ('BO') in relation to a customer is a person or an entity who is to be considered a beneficiary of the financial transaction entered in to with the Company by the Customer. A list of persons who are to be considered as such BOs in relation to a Customer is given below:

Type of Customer	Persons to be considered Beneficial Owners (BOs)
Public / Private Limited Companies	a) Board of Directors b) Individuals holding more than 10% of the paid-up share capital or more than 10% interest in the Company directly/ indirectly through other companies, partnership firms, etc.
Partnership Firm	a) Partner including sleeping partner or partner in profits
Trust/ Foundation	a) The Author of the trust; or b) The Trustees of the trust; or c) The Beneficiaries of the trust; or d) A natural person exercising ultimate effective control over the trust through a chain of control or ownership

6.2 Customer Acceptance Policy

LTFL proposes the following customer acceptance policy:

- The company shall not undertake any transaction with entity that has fictitious/ benami name(s).
- The company shall classify customers into various risk categories and based on risk perception decide on acceptance criteria for each customer category.
- Accept customers after verifying their identity as laid down in customer identification procedures.
- While carrying out due diligence the company will ensure that the procedure adopted will not result in denial of services to the genuine customers.

For the purpose of risk categorization of customer, company shall obtain the relevant information from the customer at the time of account opening.

6.3 Customer Identification Procedure

LTFL has in place a Board approved KYC Policy that clearly spells out the Customer Identification Procedure to be carried out at the time of establishing an account. LTFL also would obtain the KYC documents whenever there is doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data. If Aadhaar card is taken as KYC, LTFL would satisfy itself about current address by obtaining required proof. LTFL also would have the process of allotting Unique Customer Identification Code (UCIC) for easy identification of all the relationships of any customer with LTFL.

Information collected for the purpose of opening of account would be kept as confidential and would not be divulged to outsiders for cross selling or any other purpose other than for the statutory requirement of sharing the customer account details with at least one credit information agency approved by RBI. Information sought from the customer would be relevant to the perceived risk and would not be intrusive.

6.4 Monitoring of Transactions

The account of the Customer after signing of the contract shall be closely monitored for the signs of any unusual dealings. If any unusual dealing is spotted explanation should be sought from the Customer in a non-intrusive manner to satisfy as to the genuineness of the same. If satisfactory explanations are not provided by the Customer, a STR shall be filed with the FIU.

The basic information underlying the risk classification of the Customer shall be updated In case it is found out that there has been major change in any of the underlying parameters which may affect the risk classification of any Customer. In such cases the Customer account shall be reviewed and his classification shall be amended, if necessary. Accordingly, if such Customer is reclassified in to a higher Risk category, enhanced checks will be performed.

6.5 Risk Management

The following elements of LTFL would manage the Risk arising out of the non-compliance to PMLA

- Board would ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensure their effective implementation;
- Internal audit and compliance function would evaluate and ensure adherence to the KYC policies and procedures and provide independent evaluation of LTFL's own policies and procedures, including legal and regulatory requirements. 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. Any deviations in the KYC / AML processes or documentation shall be reported to the Audit Committee / Board of Directors at quarterly rests.
- LTFL would have an on-going employee training programme with different focuses for frontline staff, compliance staff and staff dealing with new customers and educating them with respect to the objectives of the KYC Programme
- Periodical updating of customer identification data would be taken up.

A senior management officer would be designated as the Principal Officer – PMLA and would report to senior management and the Principal Officer – PMLA would have staff to verify KYC/AML compliance. The Principal Officer – PMLA would perform the following duties:-

- Develop effective AML programs, including training programs
- Assist business in assessing how the System can be abused
- Identify suspicious activity
- Monitor implementation of AML policy
- Submit reports to statutory bodies, management and maintain liaison

6.6 Introduction of new technologies

The Company will pay special attention to any money laundering threats that may arise from new or developing technologies including internet transactions that might favour 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, if any, in future to the customers. It is also desirable that agents are also subjected to KYC measures.
