

**XANDER FINANCE PRIVATE LIMITED (XFPL)**

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

**Date of review: Reviewed and approved by the Board members on March 27, 2024**

*All previous policies are superseded by this policy*

**Know your customer policy and anti-money laundering measures**

The objective of KYC policy is to prevent XFPL from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures would enable XFPL to know/understand its customers and their financial dealings better which in turn will help XFPL manage its risks prudently. KYC policy will have the following five key elements:

- (A) Loan Application form
- (B) Customer Acceptance Policy
- (C) Customer Identification Procedures
- (D) Monitoring of Transactions and
- (E) Risk management.

For the purpose of KYC policy, a 'Customer' may be 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.

**Following are the key elements of the policy:**

**(A) Loan application form**

- (i) XFPL shall devise a standard Loan application form for customers.
- (ii) The Loan application form shall include details of the customer, purpose of the loan, details of security, details of credit requirement and other terms and conditions related to the loan. The draft of Loan application form is annexed as Enclosure-I.
- (iii) The Loan application form to be duly filled and submitted by the customer along with its KYC documents.
- (iv) If the customer is unable to fill or understand the terms and conditions of the loan, XFPL to communicate the same in the language as understood by the borrower.

- (v) XFPL to provide acknowledgment of receipt of loan application form and indicate a tentative timeframe within which such loan application will be disposed off.
- (vi) The Loan application form may be amended from time-to-time as per the statutory requirements of regulators.

**(B) Customer Acceptance Policy (CAP)**

- (i) No agreement/account should be undertaken/opened in any anonymous or fictitious/benami name(s);
- (ii) XFPL should prepare a profile for each new customer. The customer profile may contain information relating to customer's identity, social/financial status, nature of business activity, information about his clients' business and their location (if required) etc.
- (iii) Borrower risk profiling categorization shall be undertaken at initiation and on regular periodicity in line with directions issued by RBI from time to time.
- (iv) Risk perceptions should be considered for each customer based on nature of business, location of customer, cash flows, social and financial status etc. Degrees of risks can be Low, Medium and High.
- (v) Background checks/Customer Due Diligence (CDD) of all the customers should be undertaken. XFPL shall file an STR with FIU-IND, if necessary, when XFPL is unable to comply with the relevant CDD measures in relation to the customer.
- (vi) Ensuring that the customers' detail does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc.
- (vii) Business dealings should be done with clients/promoters with a reputable market standing
- (viii) The customer profile should be a confidential document and details contained therein shall not be divulged for cross selling or any other purposes.
- (ix) For the purpose of risk categorization, individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large confirm to the known profile, should be categorized as low risk.
- (x) Financial due diligence should be undertaken for each prospective client by an independent organization or by the internal team of XFPL
- (xi) Cross check names of customers with the updated list of individuals and entities, approved by Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs), received from Government of India, and circulated by Reserve Bank. Ensure that no transactions should be done with such entities/persons appearing in the list.
- (xii) XFPL should scan all existing customers/prospective customers to ensure that there is no linkage to entities or individuals included in the list above. Full details of accounts bearing resemblance with any of the individuals/entities in the list will be immediately reported to

RBI and FIU-IND. The responsibility of such reporting will be of the Designated Director/Principal officer of XFPL.

- (xiii) Unique Customer Identification Code (UCIC) to be allocated to each of the Customers.

**(F) Customer Identification Procedure (CIP)**

- (i) Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information.
- (ii) XFPL may rely on third-party customer due diligence for verifying customer identity at the beginning of an account-based relationship subject to obtaining customer due diligence records or information from the third party immediately, ensuring prompt availability of identification data upon request, verifying that the third party adheres to requirements of Prevention of Money Laundering Act, 2002 and is not based in a country or jurisdiction assessed as high risk. Despite reliance on third parties, XFPL retains ultimate responsibility for customer due diligence and enhanced due diligence as needed.
- (iii) XFPL need to 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 customer relationship.
- (iv) For customers that are natural persons, XFPL should 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, XFPL should (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 (iv) face to face meetings at the corporate office of the customers
- (v) Customer identification requirements in respect of a few typical cases, especially, legal persons requiring an extra element of caution are given in Enclosure-II
- (vi) XFPL should 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. A list of the nature and type of documents/information that may be relied upon for customer identification is given in Enclosure III.

**(G) Monitoring of Transactions**

- (i) Financing of all the transactions with the customers should be done through the appropriate banking channels only

- (ii) Financing should only be used by the customer for the purpose as defined in the “Loan Facility Agreements” and not for any other purpose. A certificate from a qualified chartered accountant should be obtained within 30 days or within timelines as specified in the loan agreement – specifying the end use of the loan.
- (iii) XFPL should obtain monthly information from all its customers including bank statements for project related escrow accounts. All the monthly information can be modified depending on each type of customer.
- (iv) XFPL should pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose in the project related escrow accounts. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract the attention of XFPL.
- (v) In terms of PMLA Rules, suspicious transaction should include *inter alia* transactions which give rise to a reasonable ground of suspicion that these may involve financing of the activities relating to terrorism and any other illegal activities. XFPL should at the time of entering into a financial relation and during its monthly monitoring – pay attention to such transactions in the project related escrow accounts. If any such transactions are observed the same should be promptly reported to the Financial Intelligence Unit – India (FIU-IND). Refer Enclosure IV for instances of suspicious transactions.
- (vi) XFPL should 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 should also be ensured that transactions of suspicious nature and/ or any other type of transaction notified under section 12 of the PML Act, 2002, is reported to the appropriate law enforcement authority.
- (vii) Any suspicious transactions in the project related escrow accounts should be communicated to the Designated Director and Principal Officer of XFPL by the Asset Management Team.

## **(H) Risk Management**

- (i) Implementation of KYC policies is the responsibility of the Deal team and Asset Management team.
- (ii) Internal Auditors’ will provide an independent evaluation of XFPL’s KYC policies and procedures, including legal and regulatory requirements. Internal Auditors will specifically check and verify the application of KYC procedures and comment on the lapses observed in this regard.
- (iii) The compliance in this regard may be put up before the Audit Committee of the Board on regular intervals.

- (iv) All the employees of deal team and Asset Management team to fully understand the rationale behind the KYC policies and implement them consistently.
- (v) XFPL should have an ongoing employee training programme so that the members of the staff are adequately trained in KYC procedures. A training module may be developed and circulated to the employees for awareness.
- (vi) XFPL should adequately inform all its customers about the KYC procedures.
- (vii) The Asset Management team along with the deal team of XFPL should periodically monitor and categorise the loan accounts as per the risks associated with the borrower with respect to its KYC. These teams should classify the borrower under following risk categories:
  - High risk category;
  - Medium risk category;
  - Low risk category
- (viii) The Asset Management team of XFPL should consider the following parameters for risk categorization of the loan accounts with respect to its KYC:
  - Residential status of borrower
  - Recent changes in banking details of the borrower
  - Credit information filing of the borrower
  - Media reports
  - Filings with various regulators
  - Changes in regulatory approvals regarding KYC status of the borrower
- (ix) XFPL should adequately carry out KYC procedures for all customers based on following categorization of risks as 1) High risk customers at least once in every 2 years 2) Medium risk customers at least once in every 8 years 3) Low risk customers at least once in every 10 years.

**(I) Money Laundering and Terrorist Financing Risk Assessment:**

- (i) The Company shall conduct a money laundering and terrorist financing risk assessment exercise on an annual basis.
- (ii) The objective of undertaking such exercise is to identify, assess and take effective measures to mitigate money laundering and terrorist financing risk of its customers / borrowers, countries or geographic areas, products, services, transactions or delivery channels, etc.
- (iii) The assessment process shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The

Company shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator / supervisor ('RBI') may share with regulated entities from time to time.

- (iv) The procedure for risk assessment shall be as follows:
  - A database of all active clients borrowers as on date should be prepared which shall include the following relating to customers/ borrowers:
    - a) Nature of business;
    - b) Operating countries;
    - c) Category of promoters;
    - d) Details of any large cash dealings;
    - e) Details of dealings of borrower with political parties;
    - f) Any negative media / news impacting reputation of borrower;
    - g) UNSCR / FATF / EU / OFAC / UAPA / EU / US checks and
    - h) Rating assigned to borrower
- (v) The outcome of the assessment shall be placed before the Risk Management committee or Board of Directors for their review;
- (vi) The Company should apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and should have Board approved policies, controls and procedures in this regard. Further, REs shall monitor the implementation of the controls and enhance them if necessary.

**(J) Record management:**

- (i) The Company shall permanently maintain and preserve all necessary transaction related documents since inception including but not limited to KYC documents of customers; sanction letters; loan / facility agreements; mortgage deeds; pledge agreements; hypothecation agreement; guarantee deeds and all such letters, documents and agreements related to the lending transaction as may be executed by the Company with the customer.
- (ii) The loan files of active customers shall be maintained by the Asset Management function at the registered office of the Company.
- (iii) The loan files of exited deals shall be maintained by the Asset Management function at the registered office of the Company for a minimum period of 1 (one) year until the conclusion of statutory and internal audit and any such other audit as may be applicable for that respective period.
- (iv) Post conclusion of audit, the loan files of exited deals shall be dispatched to a dedicated data storage and management center facility. All the loan files of exited deals shall be maintained at the data storage and management center facility.

**Enclosure-I**

## **Loan Application Form**

- (v) The data storage and management center shall have necessary systems in place to ensure that retrieval of a loan file is facile and expeditious. Depending upon the internal process of the data storage and management center, the loan file of the Company shall be adequately numbered and such reference nos shall be provided to the Asset management function of the Company. The data storage and management center shall ensure that it follows all applicable regulatory compliances on data storage of clients and has implemented necessary internal controls to ensure information privacy requirements of its clients.
  
- (vi) In case if any of the loan file is required to be retrieved, the Asset Management function shall co-ordinate with the data storage and management center and shall retrieve the required loan files by providing the reference no assigned to that loan file.

General Details		
A	Name of Borrower	
B	Legal Status	(Whether Company, Partnership, Proprietorship, LLP or individual)
C	Address	
D	Telephone	
E	Fax	
F	Email	
G	Date of Incorporation/ Establishment (DD/MM/YYYY)	
H	Central KYC record registry (CKYCR) No.	<i>Not applicable in case of secured lending to corporates</i>
I	GSTN No	
	PAN No	
Details of Owner /Promoters / Proprietor / Directors / Partners		
Name		Nationality, Passport Number, Pan & Aadhaar Number



Details of companies you currently enjoy credit facilities from (NA incase its none)				
Name	Contact Person	Mobile / Phone	Credit Limit	Payment Terms
Details of Credit requirement (Rupees in crores)				
Loan Amount _____		Required tenor _____ months		
Purpose of the loan				
Details of Security (Please mention the indicative details of the property which will be mortgaged for the loan, also mention the details of receivables, movables and any other security over which charge will be created)				
Details of Personal / Corporator Guarantor (Name, Pan No, Aadhaar No, Net worth Details)				
Documents to be provided				
<input type="checkbox"/> Pan Card	<input type="checkbox"/> MOA	<input type="checkbox"/> AOA		
<input type="checkbox"/> Certificate of Incorporation	<input type="checkbox"/> Utility Bill	<input type="checkbox"/> Aadhar		
<input type="checkbox"/> Passport				
Other Documents Provided for evaluation of Loan				

<b>Contact Details</b>	
Contact Person Name	
Designation	
Department	
Address	
Telephone/Mobile	
Terms and Condition	<p>This application form should not be construed as giving rise to any binding obligation on the part of Xander Finance Private Limited ("XFPL") to provide any loan/financial assistance/facility opted for by you.</p> <ol style="list-style-type: none"> <li>1) As per the guidelines issued by the Reserve Bank of India ("RBI") on Fair Practices Code, XFPL has adopted a Fair Practices Code ("Code") published by XFPL on its website viz <a href="http://www.xanderfinance.com">www.xanderfinance.com</a>. All customers are urged to read and understand the Code before accepting term sheet which may be issued by XFPL in its sole discretion.</li> <li>2) The loan/financial assistance/facility may be disbursed by XFPL to you and/or such other person as instructed by you as may be acceptable to XFPL in its sole discretion and upon such other diligences XFPL decide to conduct based on the sanction letter and /or term sheet issued in furtherance to the loan application form.</li> <li>3) XFPL may charge a non - refundable processing fee as a pre-requisite for any loan/financial assistance/facility to be sanctioned.</li> <li>4) XFPL has adopted an Interest Rate policy published on its website viz <a href="http://www.xanderfinance.com">www.xanderfinance.com</a> which provides criteria for grading a customer and outlines the approach for determining the rate of interest on the loan/financial assistance/facility offered by XFPL to the customer.</li> <li>5) The due date for repayment of EMI shall depend on the date of disbursement of the loan/financial assistance/facility. Accordingly, you shall be liable to make payment</li> </ol>

	<p>of interest for broken period and the same shall be communicated upon disbursement.</p> <p>6) Charges such as prepayment charges, foreclosure charges, part prepayment charges, etc. may be applicable to any loan/financial assistance/facility availed by you. XFPL reserves the right to revise these charges from time to time and the same shall be published on its website.</p>
<p>Declaration</p>	<p>I/We state and declare that each and all the contents, particulars and information given/filled in this Application Form are true, correct, complete, up-to date and accurate in all respects and shall be the basis of any loan/financial assistance/facility that XFPL may decide to grant me/us. I/We further state and declare that I/we have not withheld any information whatsoever. I/We also authorize XFPL and agree not to hold XFPL responsible for any disclosure at any time of any information relating to me/us or the loan/financial assistance/facility applied for/availed by me/us including but not limited to repayment history and the defaults in payments, to Credit Information Bureau (India) Limited, any other credit information company, credit bureau, banks, financial institutions, any third party engaged by XFPL for purpose of valuation, property verification, verification of details for Know Your Customer ("KYC"), risk profiling and credit worthiness, operation of details of the Application Form, amount of loan/financial assistance/facility and/or other administrative services I/we authorize XFPL to use the information as mentioned above. I/We have no objection to give the documents required as per KYC guidelines issued by RBI from time to time and as may be required by XFPL, from time to time.</p>

I/We agree to the above condition and declare that all information given in this application are true and correct.

Authorized Signatory Name .....

Signature.....

**FOR OFFICE USE ONLY**

**VERIFIED BY:**

Deal Manager .....

Asset Management Team .....

Date:

Place:

## **Customer Identification Requirements –Guidelines**

### **Trust/Nominee or Fiduciary Accounts**

There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. XFPL should determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, XFPL 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. While dealing with a trust, XFPL 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.

### **Accounts of companies and firms**

XFPL need to be vigilant against business entities being used by individuals as a 'front' for maintaining dealings with XFPL. XFPL 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.

### **XFPL not to deal with intermediaries or non-face to face business relationships**

### **Accounts of Politically Exposed Persons (PEPs) resident outside India**

Politically exposed persons 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. XFPL 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. XFPL should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The decision to open an account for PEP should be taken at a senior level which should be clearly spelt out in Customer Acceptance policy. XFPL should also subject such accounts to enhanced monitoring on an ongoing basis. The above norms may also be applied to the accounts of the family members or close relatives of PEPs.

**Enclosure-III**

**Customer Identification Procedure**

<b>Features to be verified and documents that may be obtained from customers Features</b>	<b>Documents</b>
Accounts of individuals Legal name and any other names used Correct permanent address	(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving license (v) Identity card (subject to XFPL's satisfaction), (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of XFPL (vii) AADHAR card (viii) Telephone bill (ix) Bank account statement (x) Letter from any recognized public authority (xi) Electricity bill (xii) Ration card (xiii) Letter from employer (subject to satisfaction of XFPL) (any one document which provides customer information to the satisfaction of XFPL will suffice)
Accounts of companies - Name of the company - Principal place of business - Mailing address of the company - Telephone/Fax Number	(i) Certificate of incorporation and Memorandum & Articles of Association (ii) Resolution of the Board of Directors to authorize the appropriate persons primarily Directors to deal with XFPL on behalf of the Company (iii) Power of Attorney granted to its managers, officers or employees to transact business on its behalf – As a rule all the relevant authorizations should be covered under (ii) and no dealings to be done with managers, officers or employee (iv) Copy of PAN allotment letter or copy of PAN card (v) Copy of the telephone bill or electricity bill (vi) Establish companies' existence from RBI website

<p>Accounts of partnership firms</p> <ul style="list-style-type: none"> <li>- Legal name</li> <li>- Address</li> <li>- Names of all partners and their addresses</li> <li>- Telephone numbers of the firm and partners</li> </ul>	<ul style="list-style-type: none"> <li>(i) Registration certificate, if registered</li> <li>(ii) Partnership deed</li> <li>(iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf</li> <li>(iv) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses</li> <li>(v) Telephone bill in the name of firm/partners</li> </ul>
<p>Accounts of trusts &amp; foundations</p> <ul style="list-style-type: none"> <li>- Names of trustees, settlers, beneficiaries and signatories</li> <li>- Names and addresses of the founder, the managers/directors and the beneficiaries</li> <li>- Telephone/fax numbers</li> </ul>	<ul style="list-style-type: none"> <li>(i) Certificate of registration, if registered</li> <li>(ii) Power of Attorney granted to transact business on its behalf</li> <li>(iii) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/ directors and their addresses</li> <li>(iv) Resolution of the managing body of the foundation/association</li> <li>(v) Telephone bill</li> </ul>

**Enclosure -IV**

**List of Suspicious Activities Transactions Involving Large Amounts of Cash**

Company transactions, that are denominated by unusually large amounts of cash, rather than normally associated with the normal commercial operations of the company.

**Transactions that do not make Economic Sense**

Transactions in which assets are withdrawn immediately after being deposited unless the business activities of the customers furnish a plausible reason for immediate withdrawal

**Activities not consistent with the Customer's Business**

Accounts with large volume of credits whereas the nature of business does not justify such credits

**Attempts to avoid Reporting/Record-keeping Requirements**

- (i) A customer who is reluctant to provide information needed for a mandatory report, to have the report filed or to proceed with a transaction after being informed that the report must be filed.
- (ii) Any individual or group that coerces/induces or attempts to coerce/induce a XFPL employee not to file any reports or any other forms.
- (iii) An account where there are several cash transactions below a specified threshold level to avoid filing of reports that may be necessary in case of transactions above the threshold level, as the customer intentionally splits the transaction into smaller amounts for the purpose of avoiding the threshold limit.

**Unusual Activities**

Funds coming from the countries/centers which are known for money laundering as identified by RBI or any other relevant authority.



**Customer who provides Insufficient or Suspicious Information:** (i) A customer/company who is reluctant to provide complete information regarding the purpose of the business, prior business relationships, officers or directors, or its locations.

(ii) A customer/company who is reluctant to reveal details about its activities or to provide financial statements.

(iii) A customer who has no record of past or present employment but makes frequent large transactions.

#### **Certain XFPL Employees arousing Suspicion**

(i) An employee whose lavish lifestyle cannot be supported by his or her salary. (ii) Negligence of employees/willful blindness is reported repeatedly.

#### **Some examples of suspicious activities/transactions to be monitored by the asset management staff-**

- Large Cash Transactions
- Multiple accounts under the same name
- Placing funds in term Deposits and using them as security for more loans
- Sudden surge in activity level
- Same funds being moved repeatedly among several accounts

<b>Particulars</b>	<b>Date of adoption/ review/ revision</b>
Adoption	23 <sup>rd</sup> November 2010
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