

# Muthoot Mercantile Limited

*(A Unit of Muthoot Ninan Group)*

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## **POLICY ON 'KNOW YOUR CUSTOMER' & 'ANTI-MONEY LAUNDERING MEASURES'**

This Policy on Know Your Customer & Anti-Money Laundering Measures (“Policy”) draws with reference to the Non- Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 01, 2016 and the Non-Banking Financial Companies – Master Direction - Know Your Customer (KYC) Direction, 2016. (“Directions”) issued by the Reserve Bank of India (“RBI”) , and the Master Circular – 'Know Your Customer' (KYC) Guidelines – Anti Money Laundering Standards (AML) -Prevention of Money Laundering Act, 2002 - Obligations of NBFCs (“Circular”)in terms of Rules notified thereunder and any other amendment, revision in the directions made thereunder, issuance of any guidelines, notification, circular by the RBI in this regard from time to time. These above mentioned directions is applicable to the Muthoot Mercantile Limited (“Company”) is an NBFC-ND-SI, and is accordingly covered by the Directions.

Reserve Bank of India (RBI) had advised all 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. These ‘Know Your Customer’ guidelines have been revisited by RBI in the context of the Recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT). Detailed guidelines based on the Recommendations of the Financial Action Task Force and the paper issued on Customer Due Diligence (CDD) for NBFCs by these directions and circulars issued by RBI.

In view of the same, Muthoot Mercantile Limited has adopted the said KYC guidelines with suitable modifications depending on the activity undertaken by it. The Company has ensured that a proper policy framework on KYC and AML measures be formulated in accordance with the prescribed RBI guidelines and put in place duly approved by its Board of Directors.

### **Objectives, Scope and Application of the Policy:**

This policy framework should seek to ensure compliance with PML Act/Rules, including regulatory instructions in this regard and should provide a bulwark against threats arising from money laundering, terrorist financing, proliferation financing and other related risks. While ensuring compliance of the legal/regulatory requirements as above, the company adoption of best international practices taking into account the FATF standards and FATF guidance notes, for managing risks better.

The objective of KYC guidelines is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities. KYC procedures shall also enable the Company to know and understand its Customers and its financial dealings better which in turn will help it to manage its risks prudently. Thus, the KYC policy has been framed by the Company for the following purposes:

To prevent criminal elements from using the company and its products for money laundering activities

2. To enable company to know/ understand its customers and their financial dealings better which, in turn, would help the Company to manage risks prudently
3. To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.
4. To comply with applicable laws and regulatory guidelines.
5. To ensure that the concerned staff are adequately trained in KYC/AML/CFT procedures.

This Policy includes four key elements:

1. Customer Acceptance Policy (CAP)
2. Customer Identification Procedures (CIP)
3. Monitoring of Transactions and
4. Risk management

### **Customer Acceptance Policy**

Muthoot Mercantile limited Customer Acceptance policy (CAP) lays down the criteria for acceptance of customers. The guidelines in respect of the customer relationship in Muthoot Mercantile limited broadly includes the following:

- No gold loan/ any other account will be opened in anonymous or fictitious / benami name(s) / entity(ies)
- Accept customers only after verifying their identity, as laid down in Customer Identification Procedures. Necessary checks before opening a new account are to be ensured so 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
- Not to open an account or close an existing account where the company is unable to apply appropriate customer due diligence measures either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.

- No transaction or account-based relationship is undertaken without following the CDD procedure
- The mandatory information to be sought for KYC purpose while opening an account Documentation requirements and other information to be collected in respect of different categories of Customers depending on perceived risk and compliances with Prevention of Money Laundering Act, 2002 (PMLA) and RBI guidelines/instructions and periodic updation of these.
- apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of the company desires to open another account with the company, there shall be no need for a fresh CDD exercise.
- CDD Procedure is followed for all the joint account holders, while opening a joint account. Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- Where an equivalent e-document is obtained from the customer, the company shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
- Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority

Customer Acceptance Policy shall not result in denial of banking/financial facility to members of the general public, especially those, who are financially or socially disadvantaged.

Customers shall be categorised as low, medium and high-risk category, based on the assessment and risk perception of the company

The Company shall prepare a profile for each new customer during the credit appraisal based on risk categorization as mentioned in this policy. The customer profile shall contain the information relating to the customer's identity, social/financial status, nature of business activity, information about his clients' business and their location, etc. The nature and extent of due diligence will depend on the risk perceived by company. At the time of credit appraisal of the applicant the details are recorded along with his profile based on meeting with the applicant apart from collection of applicable documents, this will be as per the Credit/ products norms as may be in practice. However, while preparing customer profile, the Company shall seek only such information from the customer which is relevant to the risk category and is not intrusive. The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or for any other purposes.

Customers that are likely to pose a higher than average risk to the company will be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc. apply enhanced due diligence

measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers

Risk categorisation shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the customer's business and their location, geographical risk covering customers as well as transactions, type of products/services offered, delivery channel used for delivery of products/services, types of transaction undertaken – cash, cheque/monetary instruments, wire transfers, forex transactions, etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in it.

### **Customer Identification Procedures**

The Muthoot Mercantile limited generally dealing with **Individual customer** related to gold loan accounts, Debentures and subordinate debts. The company shall undertake identification of customers in the following cases:

- (a) Commencement of an account-based relationship with the customer.
- (b) Carrying out any international money transfer operations for a person who is not an account holder of the company.
- (c) there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- (d) Selling third party products as agents, selling own products, payment of dues of credit gold loans/ any other credits for more than rupees fifty thousand.
- (e) Carrying out transactions for a non-account-based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
- (f) When the company has reason to believe that a customer (account- based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.

### **Customer Due Diligence Procedure (CDD) In Case Of Individuals**

For undertaking CDD, the company shall obtain the following from an individual while establishing an account-based relationship

A certified copy of Officially Valid Documents (OVD), as given in Annexure I, containing details of proof of their identity and address;

b. One recent photograph (For the gold loan customers capturing of photos of the individuals and keeping in the Muthoot One to be continued);

c. A certified copy of the Permanent Account Number or Form No. 60 as defined in Income-tax Rules, 1962; and

d. such other documents pertaining to the nature of business or financial status specified in this policy

For customers with aggregate loans below Rs.0.50 lakh, Proof of Identity alone will be sufficient provided the customer gives full and complete address in the loan application form and his telephone number is confirmed by the branches to be correct

A certified copy of Officially Valid Documents (OVD), as given in Annexure I, containing details of proof of their identity and address;

b. One recent photograph (For the gold loan customers capturing of photos of the individuals and keeping in the Muthoot One to be continued);

c. A certified copy of the Permanent Account Number or Form No. 60 as defined in Income-tax Rules, 1962; and

d. such other documents pertaining to the nature of business or financial status specified in this policy.

### **Selling Third Party Products**

While selling third party products, the company shall comply with the following directions:

- Identity and address of the walk-in customers shall be verified for transactions above Rs Fifty Thousand, whether conducted as a single transaction or several transactions that appear to be connected.
- Transaction details of sale of third-party products and related records shall be maintained as specified under this policy.
- transactions involving Rs Fifteen thousand and above shall be undertaken only by: Debit to customer's account or against cheque, transfer from banks etc. Obtaining and verifying PAN (regular customer as well as walk in customer).

### **Monitoring Of Transactions**

- the company shall monitor transactions of a suspicious nature on an ongoing basis for the purpose of reporting it to the appropriate authorities.
- The company shall exercise caution with respect to the transactions with persons (including legal persons and other financial institutions) from the countries which have been identified by Financial Action Task Force (FATF) as high risk and non-cooperative jurisdictions with respect to compliance with the FATF Recommendations, 2012.
- file Suspicious Transaction Report (STR), Cash Transaction Report (CTR), counterfeit currency report (CCR) and other applicable reports filling under FATCA in terms of the direction of the RBI/PMLA in respect of all products/ services.

### **Ongoing due diligence and periodic updation**

- The company shall undertake on going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and source of funds.
- A system of periodic review of risk categorisation of accounts.
- Without prejudice to the generality of factors that call for close monitoring following types of transactions shall necessarily be monitored:
  - (a) Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
  - (b) Transactions which exceed the thresholds prescribed for specific categories of accounts.
  - (c) High account turnover inconsistent with the size of the balance maintained.
  - (d) Deposit of third-party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts. For ongoing due diligence, REs may consider adopting appropriate innovations including artificial intelligence and machine learning (AI & ML) technologies to support effective monitoring.

Periodic updation and collection of KYC documents from customers for updating the details. periodic updation shall be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low-risk customers from the date of opening of the account / last KYC updation

### **KyC updation:**

No change in KYC information: In case of no change in the KYC information, a self-declaration from the customer in this regard shall be obtained through customer's email-id registered with the company, customer's mobile number registered with the company , Bank accounts , etc.

Change in address: 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 customer's email-id registered with the RE, customer's mobile number registered with the RE, ATMs, digital channels (such as online banking / internet banking, mobile application of RE), letter, etc., and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables, etc.

Accounts of customers, who were minor at the time of opening account, on their becoming major: In case of customers for whom account was opened when they were minor, fresh photographs shall be obtained on their becoming a major and id and address proof .

In case of existing customers, shall obtain PAN or Form No.60 by such date notified by the Central Government Operations of the customers without PAN or Form No.60 shall be monitored closely and shall ensure that transaction does not exceed Rs 5 lakh, For gold loan customers, a copy of the PAN Card of the borrower shall be collected for all **transaction above 5 lakhs.**

### **Record management**

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

maintain all necessary records of transactions between the customer, both domestic and international, for at least five years from the date of transaction;

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

make available swiftly, the identification records and transaction data to the competent authorities upon request;

introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005);

maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:

- (i) the nature of the transactions;
- (ii) the amount of the transaction and the currency in which it was denominated;
- (iii) the date on which the transaction was conducted; and
- (iv) the parties to the transaction.

evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities;

maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format.

#### Reporting Requirements to Financial Intelligence Unit - India

The company shall furnish to the Director, Financial Intelligence Unit-India (FIU-IND), information referred to in Rule 3 of the PML (Maintenance of Records) Rules, 2005 in terms of Rule 7 thereof.

#### **Principal Officer**

Muthoot Mercantile limited has designated Managing director as Principal Officer (PO) responsible for ensuring compliance, monitoring transactions, sharing and reporting information as required under the law/regulations.

#### **Designated Director**

Muthoot Mercantile limited has nominated Whole time Director/Executive Director, as Designated Director, to ensure overall compliance with the obligations under Prevention of Money laundering Act, 2002 and Rules framed thereunder, from time to time.

#### **CDD Procedure and sharing KYC information with central KYC records Registry (CKYCR)**

The company shall capture the KYC information for uploading the data pertaining to all new individual accounts opened on or after 01.04.2017 with the CKYCR in the manner mentioned in the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time. Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR.

As a policy, Gold loan will be granted to individuals only and not to companies, firms, trusts etc.



## OFFICIALLY VALID DOCUMENTS (OVD) 1.

Individuals Officially Valid Documents (OVD) means

the passport, the driving licence, proof of possession of Aadhaar number, the voters identity card issued by the election commission of India, job card issued by NREGA duly signed by an Officer of the state government and 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 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;

c. the customer shall submit OVD with current address within a period of three months of submitting deemed OVDs d. 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.