

(AN ISO 9001:2015 CERTIFIED COMPANY)
CIN : L65993DL1994PLC060154

Regd. Office: 209, Bhanot Plaza - II
3, D .B. Gupta Road, Paharganj
New Delhi - 110055

CERTIFIED TRUE COPY OF THE RESOLUTION PASSED IN THE MINUTES OF THE BOARD OF DIRECTORS OF SUNSHINE CAPITAL LIMITED HELD ON 15TH JULY, 2022 AT 11.00 AM AT THE REGISTERED OFFICE OF THE COMPANY 209 BHANOT PLAZA II 3 DB GUPTA ROAD, NEW DELHI- 110055

BOARD RESOLUTION:

FOR ADOPTION OF AMENDED KNOW YOUR CUSTOMER (KYC) NORMS AND ANTI-MONEY LAUNDERING (AML) STANDARDS

WHERE AS the Reserve Bank of India has issued 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 objective of RBI guidelines is to prevent NBFCs being used, intentionally or unintentionally by criminal elements for money laundering activities. The guidelines also mandate making reasonable efforts to determine the identity and beneficial ownership of accounts, source of funds, the nature of customer's business, reasonableness of operations in the account in relation to the customer's business, etc. which in turn helps the Company to manage its risks prudently. Accordingly, the main objective of this policy is to enable the Company to have positive identification of its customers.

RESOLVED THAT the company is a registered NBFC and has to comply with the latest guidelines on RBI Know Your Customer's (KYC) Guidelines-Anti Money Laundering Standard's as per the RBI Norms to ensure that proper policy framework on KYC and AML measures be formulated and put in place with the Board of Director.

RESOLVED FURTHER THAT any director of the company be and are hereby authorised to made changes/modifications in the existing KYC-AML standards Policy in compliance of **RBI Master Direction - Know Your Customer (KYC) Direction, 2016 (Updated as on May 10, 2021)** and the same be submitted to the RBI, New Delhi.

CERTIFIED TO BE TRUE COPY

For SUNSHINE CAPITAL LIMITED


ANIL PRAKASH
DIRECTOR

DIN: 05187809



KYC and AML (PMLA) Policy OF SUNSHINE CAPITAL LIMITED

Policy Governance

Frequency of Review	Annual
Framed & Last Reviewed	12/04/2017
Amended on	15/07/2022
Approved By	Board of Directors



1. INTRODUCTION :

The Reserve Bank of India has issued 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 objective of RBI guidelines is to prevent NBFCs being used, intentionally or unintentionally by criminal elements for money laundering activities. The guidelines also mandate making reasonable efforts to determine the identity and beneficial ownership of accounts, source of funds, the nature of customer's business, reasonableness of operations in the account in relation to the customer's business, etc. which in turn helps the Company to manage its risks prudently. Accordingly, the main objective of this policy is to enable the Company to have positive identification of its customers. Accordingly, in compliance with the guidelines issued by RBI from time to time, the following KYC & AML policy of the Company is approved by the Board of Directors of the Company. This Policy has been framed & adopted by **SUNSHINE CAPITAL LIMITED** in order to comply the provisions of Anti Money Laundering (AML) Standards/ Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under. This policy is applicable to all categories of products and services offered by the Company.

Know Your Customer (KYC) Policy, 2022

In terms of the provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time by the Government of India and Aadhar and other Laws (amendment) Ordinance, 2019 as notified by the Government of India, Bank is required to follow certain customer identification procedure while undertaking a transaction either by establishing an account based relationship or otherwise and Monitor their transactions.

This KYC Policy is issued as per RBI's Master Directions on Know Your Customer (updated upto 14/06/2022) which incorporates the amendments made by Government of India; vide Gazette Notification G.S.R. 582(E) dated August 19, 2019 and Gazette Notification G.S.R. 840(E) dated November 13, 2019. All offices of the Bank shall take all necessary steps to implement this KYC policy and provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time, including operational instructions issued in pursuance of such amendment(s).

SCOPE AND APPLICATION OF THE POLICY

The scope of this policy is:-

- To lay down explicit criteria for acceptance of customers.
- To establish procedures to identify of individuals/non-individuals for opening of account.
- To establish processes and procedures to monitor high value transactions and/or transactions of suspicious nature in accounts.
- To develop measures for conducting due diligence in respect of customers and reporting of such transactions.

To fulfil the scope, the following four key elements will be incorporated into my policy:-

- (i) Customer Acceptance Policy
- (ii) Customer Identification Procedures
- (iii) Monitoring of Transactions
- (iv) Risk Management



2. CUSTOMER ACCEPTANCE POLICY

Definition of a Customer

- A person or entity that maintains an account and/or has a business relationship with the Company
- One on whose behalf the account is maintained (i.e. the beneficial owner)
- Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers
- Chartered Accountants, Solicitors etc. as permitted under the law, and
- Any other person or entity connected with a financial transaction which can pose significant reputation or other risks to the Company, say a wire transfer or issue of high value demand draft as a single transaction.

A "Person" shall have the meaning as defined under KYC policy of RBI (and any amendment from time to time by RBI) which at present is as follows:

'Person' shall include:

- a. an Individual;
- b. a Hindu Undivided Family;
- c. a Company;
- d. a Trust
- e. a Firm;
- f. an association of persons or a body of individuals, whether incorporated or not;
- g. every artificial juridical person, not falling within any one of the above person (a to e);
- h. any agency, office or branch owned or controlled by any one of the above persons (a to f)

3. Preliminary

1. Short Title

Policy guidelines on Know Your Customer (KYC) Norms / Anti Money laundering (AML) Standards / Combating of Financing of terrorism (CFT) Measures / Obligation of the Bank under Prevention of Money Laundering Act (PMLA), 2002 shall be called as Know Your Customer (KYC) Policy, 2022.

4. Applicability

- (a) The provisions of KYC Policy guidelines shall apply to all the branches / offices of the Company.
- (b) The guidelines in this circular apply to the branches and majority owned subsidiaries located abroad (if any), to the extent they are not contradictory to the local laws in the host country, provided that:-
 - (i) Where applicable laws and regulations prohibit implementation of these guidelines, the same shall be brought to the notice of the Reserve Bank of India.
 - (ii) In case there is a variance in KYC / AML standards prescribed by the Reserve Bank of India and the host country regulators, branches / overseas subsidiaries of Bank are required to adopt the more stringent regulation of the two.

Provided this rule shall not apply to 'small accounts'.

5. Definitions

In terms of RBI's Master Direction on KYC, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:



(A) Terms bearing meaning assigned in terms of Prevention of Money Laundering Act, 2002 and the Prevention of Money Laundering (Maintenance of Records) Rules, 2005:-

- (i) **"Aadhar number"** as defined in the Aadhar and Other Law (Amendment) Ordinance, 2019, means an identification number issued to an individual under sub-section (3) of section 3 of the Aadhar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016), and includes any alternative virtual identity generated under sub-section (4) of that section.
- (ii) **"Act" and "Rules"** means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto.
- (iii) **"Authentication"**, in the context of Aadhar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.
- (iv) **Beneficial Owner (BO)**
 - a) **Where the customer is a company**, the beneficial owner is the natural person(s), Who, whether acting alone or together, or through one or more juridical persons, has / has a controlling ownership interest or who exercise control through other means.

Explanation- For the purpose of this sub-clause-

- (i) "Controlling ownership interest" means ownership of / entitlement to more than 25 per cent of the shares or capital or profits of the company.
- (ii) "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.
- b) **Where the customer is a partnership firm**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has / have ownership of / entitlement to more than 15 per cent of capital or profits of the partnership.
- c) **Where the customer is an unincorporated association or body of individuals**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has / have ownership of/ entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.

Explanation: Term 'body of individuals' includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

- d) Where the customer is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.



(v) **"Central KYC Records Registry" (CKYCR)** means an entity defined under Rule (1) (aa) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

(vi) **"Designated Director"** means a person designated by the Bank to ensure overall compliance with the obligations imposed under chapter IV of the PMLA Act and the Rules.

(vii) **"Digital KYC"** means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhar, 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 Bank as per the provisions contained in the Act.

(viii) **"Digital Signature"** shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000 (21 of 2000). [Presently, as per Information Technology Act, 2000, Digital Signature means authentication of any electronic record by a subscriber by means of an electronic method or procedure in accordance with the provisions of section 3 of the Information Technology Act, 2000.]

(ix) **"Know Your Client (KYC) Identifier"** means the unique number or code assigned to a customer by the Central KYC Records Registry.

(x) **"Non-profit organisations" (NPO)** means any entity or organization that is registered as a trust or a society under the Societies Registration Act, 1860 or any similar State legislation or a company registered under Section 8 of the Companies Act, 2013.

(xi) **"Principal Officer"** means an officer nominated by the NBFC company, responsible for furnishing information as per rule 8 of the Rules.

(xii) **"Suspicious transaction"** means a "transaction" as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith:

- 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
- appears to be made in circumstances of unusual or unjustified complexity; or
- appears to not have economic rationale or bona-fide purpose; or
- gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

Explanation: Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.

(xiii) **"Transaction"** means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:-

- a) opening of an account;
- b) deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;



- c) entering into any fiduciary relationship;
- d) any payment made or received, in whole or in part, for any contractual or other legal obligation; or
- e) Establishing or creating a legal person or legal arrangement.

(xiv) **"UCIC"** means Unique Customer Identification Code, i.e., unique customer-ID allotted to individual customers while entering into new relationships as well as to the existing customers. All the accounts of an individual customer will be opened under his / her UCIC.

(B) Terms bearing meaning assigned in RBI Master Directions on KYC, unless the context otherwise requires, shall bear the meanings assigned to them below:

i. **"Common Reporting Standards"** (CRS) means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters.

ii. **"Customer"** means a person who is engaged in a financial transaction or activity with the Bank and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

iii. **"Customer Due Diligence (CDD)"** means identifying and verifying the customer and the beneficial owner.

iv. **"Customer identification"** means undertaking the process of CDD.

v. **"FATCA"** 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. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.

vi. **"IGA"** means Inter Governmental Agreement between the Governments of India and the USA to improve international tax compliance and to implement FATCA of the USA.

vii. **"KYC Templates"** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.

viii. **"Non-face-to-face customers"** mean customers who open accounts without visiting the branch / offices of the Bank or meeting the officials of Bank.

ix. **"On-going Due Diligence"** means regular monitoring of transactions in accounts to ensure that they are consistent with the customers' profile and source of funds

6. General

RBI has advised the Bank that a Know Your Customer (KYC) Policy, duly approved by the Board of Directors of the company, be formulated and put in place.

6.1. Purpose

The purpose of KYC policy is to put in place customer identification procedures for opening of accounts and monitoring transactions in the accounts for detection of transactions of suspicious nature for the purpose of reporting to Financial Intelligence Unit-India [FIU-IND] in terms of the recommendations made by Financial Action Task Force (FATF) and the paper issued on Customer Due Diligence (CDD) for banks by the Basel Committee on Banking Supervision (BCBS) on AML standards and on CFT measures.



For this Policy, the term 'Money Laundering' would also cover financial transactions where the end-use of funds is for financing terrorism, irrespective of the source of funds.

6.2 Objective

The KYC Policy has been framed to develop a strong mechanism for achieving the following objectives:

- To prevent Bank from being used, intentionally or unintentionally, by criminal elements for Money Laundering or Terrorist Financing activities. KYC procedures also enable the Bank to know/understand their customers and their financial dealings better, which in turn helps it to manage the associated risks prudently.
- To enable the Bank to comply with all the legal and regulatory obligations in respect of KYC norms / AML standards / CFT measures / Bank's Obligation under PMLA, 2002 and to cooperate with various government bodies dealing with related issues

7. The KYC policy includes following four key elements:

- (a) Customer Acceptance Policy (CAP);
- (b) Risk Management;
- (c) Customer Identification Procedures (CIP); and
- (d) Monitoring of Transactions

7. A. Money Laundering and Terrorist Financing Risk Assessment by NBFC/Bank

(a) 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise to be carried out periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc.

The assessment process should consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. While preparing the internal risk assessment, Bank shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with Bank from time to time.

(b) The risk assessment by the Bank shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of the Bank. Further, the periodicity of risk assessment exercise shall be determined by the Board of the Bank, in alignment with the outcome of the risk assessment exercise. However, it should be reviewed at least annually.

(c) Integrated Risk Management Division shall carry out the above said Risk Assessment exercise on annual basis. 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. Bank shall 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, Bank shall monitor the implementation of the controls and enhance them if necessary.



8. Designated Director:

- a) An Executive Director on the Board to be nominated as "Designated Director", as per provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the Rules. Designated Director shall be nominated by the Board.
- b) The name, designation and address of the Designated Director shall be communicated to the FIU-IND.
- c) In no case, the Principal Officer be nominated as the '**Designated Director**'.

9. Principal Officer:

- a) The Board has nominated Director **Mr. SURENDRA KUMAR JAIN (Director)**, as Principal Officer of the company, who shall be responsible for ensuring compliance, monitoring transactions, sharing and reporting information as required under the law / regulations.
- b) The name, designation and address of the Principal Officer shall be communicated to the FIU-IND.
- c) The Principal Officer will report to Designated Director through Chief General Manager, FRMD, who shall be the administrative head of Centralised AML Cell and will oversee the functioning of Centralised AML Cell as per PML Act/ KYC Policy.
- d) The Principal Officer will maintain close liaison with enforcement agencies, banks and other institutions which are involved in the fight against money laundering and combating financing of terrorism.

10. Compliance of KYC policy:

(a) Compliance with KYC Policy is to be ensured through:

- (i) A senior officer in the rank of Director or Manager who will constitute as 'Senior Management' for the purpose of KYC compliance.
- (ii) Allocation of responsibility through Office Order for effective implementation of policies and procedures at Head Office level.
- (iii) All HO Divisions to ensure compliance of KYC guidelines in their respective areas of operation, products, services, activities etc.
- (iv) Independent evaluation of the compliance functions of Bank's policies and procedures, including legal and regulatory requirements be done by Compliance Division, HO.
- (v) Concurrent / internal audit system to verify the compliance with KYC / AML policies and procedures and submit quarterly audit notes and compliance to the Audit Committee. At the end of every calendar quarter, implementation and compliance of concurrent audit reports on adherence to KYC-AML guidelines at branches would be reviewed for apprising Audit Committee of Board.



- (vi) Concurrent / internal audit to also ensure verification of compliance with KYC guidelines in system through system generated reports from EDW / CBS.
- (vii) It is to be ensured that decision-making functions of determining compliance with KYC norms are not outsourced by the bank.
- (viii) PML Rules require all offices of the Bank to carry out Risk Assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, and products, services, transactions or delivery channels. The risk assessment should-
- be documented;
 - Consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied;
 - be kept up to date; and
 - be available to competent authorities and self-regulating bodies.
- (d) The implementation of KYC-AML guidelines by branches in letter and spirit, has to be ensured by Zonal Managers / Circle Heads and the same is to be checked during their visit to branches.

11. A Customer Acceptance Policy has been framed by the NBFC, as under-

Without prejudice to the generality of the aspect that Customer Acceptance Policy may contain, it is to be ensured that:-

- a) No account is opened in anonymous or fictitious / benami name.
- b) No account is opened where the Bank is unable to apply appropriate Customer Due Diligence (CDD) measures, either due to non-cooperation of the customer or non-reliability of the documents / information furnished by the customer.
- c) No transaction or account based relationship is undertaken without following the CDD procedure.
- d) The mandatory information sought for KYC purpose while opening an account and during the periodic updation, is specified.
- e) 'Optional' / additional information is obtained with the explicit consent of the customer after the account is opened.
- f) The CDD procedure is to be applied at the UCIC level. Thus, if an existing KYC compliant customer of Bank desires to open another account with the same Bank, there shall be no need for a fresh CDD exercise.
- g) CDD Procedure is followed for all the joint account holders, while opening a joint account.
- h) Circumstances in which, a customer is permitted to act on behalf of another person / entity, are clearly spelt out.



- i) No account is opened where identity of the customer matches with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.
- j) Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- k) Where an equivalent e-document is obtained from the customer, the digital signature has to be verified as per the provisions of the Information Technology Act, 2000 (21 of 2000).

It is to be ensured that the 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.

Customer Identification Procedure (CIP)

Customer identification means identifying the customer and verifying his / her identity by using reliable, independent source documents, data or information. The Company needs to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship. Being risk perception, the nature of information / documents required would also depend on the type of the customer (individual, corporate etc.)

NEED FOR PHOTOGRAPHS

- In case of change in the authorized signatories, photograph of the new signatory should be obtained duly countersigned by the competent authorities of the concerned institution / organization;
- Where the account is operated by the letters of Authority or Power of Attorney Holder, photograph of the authority holder should be obtained duly attested by the Borrower / Depositor.

PROOF OF CUSTOMERS' ADDRESS

A detailed list of the features to be verified and documents that may be obtained from the Customers are given in "Annexure-1" of this policy document. A Photostat copy of the proofs mentioned in "Annexure-1" should be filed along with the loan application. In case of need, the Company Manager can depute an official to visit the account holder / loan applicant at the given address to satisfy about the genuineness of the address.

PROVISIONS UNDER PMLA

As per the provisions of Rule 9 of the Prevention of Money Laundering (Maintenance of Records of the Nature and Value of Transactions, The Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (hereinafter referred to as PML Rules), the Company shall:

- ✓ At the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship and



- In all other cases, verify identify while carrying out:-
 - ✓ Transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected,
 - ✓ Any international money transfer operations.

In terms of proviso to rule 9 of the PML Rules, the relaxation, in verifying the identity of the client within a reasonable time after opening the account / execution of the transaction, stands withdrawn.

Abiding by the provisions of Rule 9, the Company shall identify the beneficial owner and take all reasonable steps to verify his identity. The said Rule also require that the Company should exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions to ensure that they are consistent with their knowledge of the customer, his business and risk profile.

Risk Management

For Risk Management, Bank has adopted risk based approach which includes the following.

- a. For Risk Management, Bank has adopted risk based approach which includes the Following;
- b. Customers shall be categorised as low, medium and high risk category, based on the assessment and risk perception of the Bank.
- c. Risk categorisation shall be undertaken based on parameters such as customer's identity, social / financial status, nature of business activity, and information about the clients' business and their location 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 is hereby specified that the various other information collected from different categories of customers relating to the perceived risk, is non-intrusive. It is hereby specified that the various other information collected from different categories of customers relating to the perceived risk, is non-intrusive.

Explanation: FATF Public Statement, the reports and guidance notes on KYC / AML issued by the Indian Banks Association (IBA), guidance note circulated to all cooperative banks by the RBI etc., may also be used in risk assessment.

Additional:-

- (i) For effective implementation of KYC policy there will be a proper co-ordination, communication and understanding amongst all the departments of the Company. The Board of Directors shall ensure that an effective KYC program is put in place by establishing proper procedures and ensuring their effective implementation. Heads of all the Departments will ensure that the respective responsibilities in relation to KYC policy are properly understood, given proper attention and appreciated and discharged with utmost care and attention by all the employees of the Company.
- (ii) The Risk department of the Company will carry out quarterly checks to find out as to whether all features of KYC policy are being followed and adhered to by all the Departments concerned. The Risk Department shall sign off on the KYC documents for corporate entities, before every disbursement.



- (iii) The Company shall also mandatorily include KYC adherence in its internal audit scope every quarter. For co-lending partners, the Company shall carry out sample quarterly KYC sample audit by independent audit firms to assess adherence with the KYC norms.
- (iv) Company will take steps to ensure that its internal auditors are made well versed with this policy that will carry out regular checks about the compliance of KYC procedures by all the branches of the Company. Any lapse or short coming observed by the internal auditors will be brought to the notice of Department Heads concerned. There will be quarterly assessment to check the compliance level by a committee to be constituted by the Board.
- (v) The Company will conduct at regular intervals training programmes to impart training to its staff members regarding KYC procedures to ensure consistent and highest degree of compliance level.
- (vi) The inadequacy or absence of KYC standards can subject the Company to serious risks especially reputational, operational, legal and concentration risks.
- (vii) Reputational risk is defined as the risk of loss of confidence in the integrity of the institution, that adverse publicity regarding the Company's business practices and associations, whether accurate or not causes.
- a) Operational risk can be defined as the risk of direct and indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.
- b) Legal risk is the possibility that law suits, adverse judgments or contracts that turn out to be unenforceable can disrupt or adversely affect the operations or condition of the Company.
- c) Concentration risk although mostly applicable on the assets side of the balance sheet, may affect the liability as it is also closely associated with funding risk, particularly the risk of early and sudden withdrawal of funds by large depositors, with potentially damaging consequences for the liquidity of the Company.

All these risks are interrelated. Any one of them can result in significant financial cost to the Company and diverts considerable management time and energy to resolving problems that arise.

RISK LEVEL CATEGORIZATION

1. The Company shall categorize its customers based on the risk perceived by the Company. The levels of categorization would be Low Risk, Medium Risk and High Risk. The risk categorization would be a function of the industry the borrower operates in, the geography in which the borrower operates, the shareholding pattern of the entity etc.
2. The profile of new customers will be prepared on risk categorization basis. Such profile will contain the following information about the new customers:
 - Customer's Identity
 - Social/Legal and financial status of the customer
 - Nature of the business activity
 - Information about the business of the customer's clients and their locations



3. There will be level-wise categorization of customers i.e. Level-I, Level-II and Level-III. Such levels will be decided based on risk element involved in each case which will be determined by considering the following information submitted by the customer:-
- Nature of business of the Customer and of his Clients
 - Work place of Customers and of his Clients
 - Country of Origin
 - Source of funds
 - Volume of business six-monthly / annual turn-over
 - Social/Legal and financial status
 - Quantum and tenure of facility applied for and proposed schedule for repayment of loan
4. Information to be collected from the customers will vary according to categorization of customer from the point of view of risk perceived. 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 to the customer. Any other information from the customer should be sought separately with his/her consent and after opening the account.
5. For risk categorization, individual (other than High Net Worth) and entities whose sources of wealth can be easily identified and transactions in whose accounts by and large confirm to the known profile, may be categorized as low risk or Level-I category. Normally Level-I customers would be
- Well governed corporate
 - Salaried employees having definite and well-defined salary structure,
 - Employees of Government Departments or Government owned companies,
 - Statutory bodies,
 - Self-employed individuals, however with regular income and good credit behaviour
6. Cases where the Company is likely to incur higher than average risk will be categorized as medium or high-risk customers and will be placed in medium or high risk category i.e. Level-II or Level-III category. While placing the customers in the above categories, the Company will give due consideration to the following aspects:
- Customer's background,
 - Country of his origin,
 - Nature and location of his business activities,
 - Sources of funds and profile of customer's clients etc.

In such cases, the Company will apply higher due diligence measures keeping in view the risk level.

7. Special care and diligence will be taken and exercised in respect of those customers who happen to be high profile and/or Politically Exposed Persons ("PEP") within or outside country. Such persons will include:



- Foreign Delegates or those working in Foreign High commissions or Embassies,
- Senior Politicians,
- Senior Judicial Officers,
- Senior Military Officers,
- Senior Executives of State Owned Corporations and
- Officials of important and leading political parties (as explained in "Annexure2").

About the accounts of PEPs, in the event of an existing customer or the beneficial owner of an existing account subsequently becoming PEP, the Company shall obtain Credit Committee approval in such cases to continue the business relationship with such person, and undertake enhanced monitoring.

8. The extent of due diligence requirement will vary from case to case as the same will depend upon risk perceived by the Company while granting credit facilities to customers.

For the purpose of preparing customer profile only such relevant information from the customers will be sought based on which the Company can easily decide about the risk category in which the customers are to be placed. Ordinarily, the customer profile maintained by the Company will be kept confidential except for cases where the customer himself allows and/or gives consent for the use of the information given in customer profile / application form for offering other products / services of other companies / entities belonging to the Company's group or any other legal entity with whom the Company is having any business tie-ups. However, while taking any such permission or consent of the customer for using his above referred information provided to the Company, it will be ensured that such permission / consent of the customer is unambiguous and explicit.

9. Cases in which the risk level is higher will require intensive due diligence exercise. Such cases will include those where the sources of funds to be used for business operations or sources to repay the loan to the Company are not clearly disclosed or cannot be ascertained from the financial statements submitted by the customer to the Company. Besides above, some of such customers in whose cases the Company will require higher due diligence measures, especially those for whom the source of funds is not clear, are mentioned below:

- NRI Customers
- Trusts (except trusts appropriately set up under a specific regulation)
- Societies
- Charitable Institutions
- NGOs and other organizations receiving donations from within or outside country
- Partnership firms with sleeping partners
- Family owned companies
- Persons with dubious or notorious reputation as per the information available from different sources like media, newspapers etc.
- Companies having close family shareholding or beneficial ownership
- Politically exposed persons (PEPs) of foreign origin means 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, important political officials
- High net worth individuals



PURPOSEFUL IMPLEMENTATION

The purpose of adopting the above measures and norms while taking decisions on the issue of customer acceptance is twofold. Firstly, the Company should not suffer financially at later stage due to lack of proper due diligence exercise and lack of information which is the exclusive possession of the customers.

Secondly, to curb and prevent any such practice by the customers which is aimed to achieve unlawful objectives or any other practice by which the financial institutions can be used to perpetuate any criminal or unlawful activities. However, at the same time, this policy does not aim or intend to deny the benefit of financial services to those who genuinely need such services / facilities due to real lack of their own sufficient financial resources.

GENERAL

The Company shall ensure that the provisions of PMLA and the Rules framed thereunder and the Foreign Contribution and Regulation Act, 1976, wherever applicable, are adhered to strictly.

Where the Company is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, the Company may consider closing the account or terminating the business relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decisions need to be taken at a reasonably senior level.

**ANNEXURE I
RISK CATEGORISATION FOR ACCOUNTS IN THE NAME OF INDIVIDUALS**

Type	Recommended Risk Categorisation	Risk Perception
Salaried	Low risk	Source on income is fixed and pattern of entries in the account can be correlated with known sources of income/ expenditure.
Senior citizens	Medium / High Risk	Source of income for trading related purposes not known clearly. May be operated by third parties. Will be considered high risk in case operating in F&O
House-wife	Medium / High Risk	Source of income for trading related purposes not known clearly. May be operated by third parties. Will be considered high risk in case operating in F&O
Self Employed Professionals/ Businessmen	Low risk (except professionals associated with the film industry who will be categorized as "Medium" risk).	Accounts maintained by Chartered Accountants, Architects, Doctors, Lawyers, Sportsmen, etc.
Non Resident	Low / Medium	Transactions are regulated through Authorise Dealers and the accounts are opened only after IPV. In case an IPV is not performed and we have



Individuals	risk	relied on documentation submitted by the client, the account would be categorised as medium risk.
Politically Exposed Persons resident outside India	High Risk	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. Branches 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. Front end staff should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. Such accounts should be subjected to enhanced monitoring on an ongoing basis. The above norms should also be applied to the accounts of the family members and close relatives of PEPs. Further SUNSHINE CAPITAL LIMITED may maintain a list of additional accounts as "Designated PEP". The accounts of Politically Exposed Persons resident outside India shall be opened only after obtaining the approval of Business Head. Further, in the event of an existing customer or the beneficial owner of an account subsequently becoming PEP, Business head approval would be required to continue the business relationship and such accounts would be subjected to Customer Due Diligence measures as applicable to the customers of PEP category including enhanced monitoring on an ongoing basis. In such events SUNSHINE CAPITAL LIMITED shall be guided by the information provided by the clients or front end teams.

NOTE: If any of the above accounts are operated by Power of Attorney (POA) holder/mandate holder, then the account will be categorized as "High Risk".

RISK CATEGORISATION FOR ACCOUNTS IN THE NAME OF NON INDIVIDUALS

Risk categorization of Non Individual customers can be done basis:

- A. Type of Entity
- B. Industry;
- C. Country of Domicile
- A. Type of Entity

Type	Recommended Risk Categorisation	Risk Perception
Private Ltd/Public Ltd Companies	Low / Medium / High risk	Depending on the clarity of the shareholding structure and the nature of operations, such companies would be classified.
Local Authorities or Public Bodies	Low Risk	These types of entities are governed by specific Acts, Notifications etc framed by the Government of India or the State Govt and are controlled and run by the Govt.
Mutual Funds/Scheduled Commercial Banks/Insurance Companies/Financial Institutions	Low Risk	These entities are strictly regulated by their respective regulators.
Partnership Firm	Low / Medium / High	Depending on the clarity of the shareholding



	risk	structure and the nature of operations, such entities would be classified. Such classifications shall be decided post the review of the compliance officer
Trusts – Public Charitable Trust	Medium / High Risk	Depending on the clarity of the beneficial ownership and the nature of operations, such entities would be classified. Such classifications shall be decided post the review of the compliance officer
Hindu Undivided Family (HUF)	Medium Risk	These are unregistered bodies and the pattern of entries in the account may not be correlated with known sources of income/ expenditure.
Societies / Associations / Clubs	High Risk (except 'Housing Societies' which will be categorized as "Low" risk)	These are not highly regulated entities and the pattern of entries in the account may not be correlated with known sources of income/expenditure.
Trusts – Private Trust	High Risk	These may be unregistered trusts and the pattern of entries in the account may not be correlated with known sources of income/ expenditure.
Co-operative Banks	High Risk	These are not highly regulated entities.

B & C. Basis Industry and Country of Domicile

Risk Category	Industry	Country of Domicile
High	<p>The Risk categorisation is dependent on industries which are inherently High Risk or may exhibit high cash intensity, as below:</p> <ul style="list-style-type: none"> Arms Dealer Money Changer Exchange Houses Gems / Jewellery / Precious metals / Bullion dealers (including sub-dealers) Real Estate Agents Construction Offshore Corporation Art/antique dealers Restaurant/Bar/casino/night club Import/Export agents (traders; goods not used for own manufacturing/retailing) Share & Stock broker Finance Companies (NBFC) Transport Operators 	



	Auto dealers (used/ reconditioned vehicles/motorcycles) Scrap metal dealers Liquor distributorship Commodities middlemen Co-operative Banks Car/Boat/Plane dealerships/brokers Multi Level Marketing (MLM) Firms	
Medium	None	NA
Low	All other industries	NA

Notes:

1. Higher Risk Categorization derived from either A or B or C shall be the applicable risk categorization for the account.
2. lowering of risk classification shall be carried out by the Compliance officer in consultation with the Chief Risk Officer. This shall be done only where adequate justifications can be provided and the same are mentioned along with the account opening form.
3. Such justifications shall be reviewed 3 months from the date of account opening / first transaction in order to ensure that the classification is proper.

ANNEXURE II:

AN INDICATIVE LIST OF SUSPICIOUS ACTIVITIES:

Whether a particular transaction is suspicious or not will depend upon the background details of the client, details of the transactions and other facts and circumstances. Followings are the circumstances, which may be in the nature of suspicious transactions: -

- a. Clients whose identity verification seems difficult or clients appears not to co-operate;
- b. Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;
- c. Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
- d. Substantial increases in business volume without apparent cause;
- e. Unusually large cash deposits made by an individual or business;
- f. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- g. Transfer of investment proceeds to apparently unrelated third parties;
- h. Off market transactions in the DP account of the clients;
- i. High trading activity in the relatively illiquid scrips;
- j. Major trading activity in the Z and T to T category scrips;



- k. Options trading / trading in illiquid scrips wherein client has booked unusual profit or loss which does not commensurate with the changes in the prices of underlying security in the cash segment.
- l. High exposures taken by client as compared to income levels informed by clients.
- m. Unusual transactions by "High risk status" and businesses undertaken by shell corporations offshore banks /financial services, businesses reported to be in the nature of export-import of small items.
- n. Synchronized Cross and Self Trades - Scrutinize Synchronized, Self/Cross Trade Report generated by the system/provided by Exchange.
- o. Clients whose turnover is disproportionate with the annual income/Net worth provided in KYC.

REVIEW:

The policy and procedures on the prevention of anti money laundering and terrorist financing shall be reviewed annually to ensure their effectiveness in accordance with regulatory changes.

Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures.

* End *

For SUNSHINE CAPITAL LIMITED

Director

