

Reviewed on 14.01.2023

KYC/AML Policy of the Company in respect Of Money Changing Activities

I. Objective

Based on the current applicable RBI guidelines, the Board of Directors of the Company has approved the Know Your Customer (KYC) and Anti Money Laundering (AML) policy of the Company for implementation across the Network.

The objective of prescribing KYC/AML guidelines is to prevent the system of purchase and sale of foreign currency notes/ Traveller's Cheques Traveller Cards by the Company from being used, intentionally or unintentionally, by Anti Social elements for money laundering or terrorist financing activities or any other illegal activities.

The key elements of KYC policy are:

1. Customer Acceptance Policy;
2. Customer Identification Procedures;
3. Monitoring of Transactions; and
4. Risk Management.

1.CUSTOMER ACCEPTANCE POLICY:

It is the Company's Policy that:

- (i) No transaction is conducted in anonymous or fictitious / benami name(s)
 - a. No transaction will be carried out in the absence of the actual customer. In case of Minors, however, the transaction can be done with the Guardian, subject of course to obtaining of required KYC documents from the Guardian as well as the Minor.
 - b. No transaction will be carried out without obtaining prescribed KYC documents
- (ii) Parameters of risk perception:
 - a. **For Institutional Customers**
For customers like Company, Firm, Association of Persons etc, each customer will be categorized as Low, Medium or High risk as per the risk

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- perception based upon nature of business activity, location of customer and its clients, mode of payments , volume of turnover , social and financial status, etc.
- b. **For Non-Institutional Customers**
For individual customers, each customer will be categorized as Low, Medium or High risk as per the risk perception based upon his business, profession, place of residence, mode of payments, social and financial status, etc.
- c. Profile of each customer will be prepared based upon risk categorization.

The customer profile will contain information relating to customer's identity, his sources of funds, financial status, nature of business activity, information about his clients, business and their location, etc.

Customers requiring enhanced due diligence include (a) non-resident customers (b) customers from countries that do not or insufficiently apply the FATF standards; (c) high net worth individuals; (d) trusts, charities, NGOs and organizations receiving donations; (e) companies having close family shareholding or beneficial ownership; (f) firms with 'sleeping partners'; (g) politically exposed persons (PEPs); (h) non-face to face customers; and (i) those with dubious reputation as per public information available etc. The concerned FLAs, while processing the transaction with any of these, may consult the Principal Officer in case of any doubt.

Categorization of Risk Profiles & Re-KYC of customers

| | | |
|----|-------------|--|
| a) | Low Risk | All Resident Individuals; |
| b) | Medium Risk | All NRIs/Foreign Nationals |
| c) | High Risk | I. Political Exposed Persons: |
| | | II. Persons from FATF countries--- as amended from time to time. |

RE-KYC /KYC Updation

Further, the company would need to continue to carry out on-going due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with the knowledge of the client, his business and risk profile and wherever necessary the source of funds.

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- a) For Low risk customers – Full KYC will be done at least every ten years.
- b) For Medium risk customers- Full KYC will be done at least every Eight years.
- c) For High Risk customers- Full KYC will be done at least every two years.

(iii) The FLAs are instructed not to make any payment where he is unable to apply appropriate customer due diligence measures or unable to verify the identity and /or obtain documents required as per the guidelines given above due to non-cooperation of the customer or non reliability of the data/information furnished to us.

2. CUSTOMER IDENTIFICATION PROCEDURE

The following procedure will be adopted while dealing with Institutional & Non-institutional customers:

A) INSTITUTIONS/FIRMS/CORPORATES etc..

While establishing the relationship

A request letter should be obtained from the entity for the purpose of establishing relationship prior to starting any transaction for release of foreign exchange for the purpose of business travel. The document should include Certificate of Incorporation/Registration/a legal document of registration with Memorandum and Articles of Association, resolution of the board of the directors for undertaking forex transactions, Shop & Establishment certificate, address proof/partnership deed, PAN card, telephone bill and a list of authorized officials to transact on behalf of the concern, etc.

Relationship with a business entity will be established only after conducting due diligence by obtaining and verifying suitable documents (above mentioned) copies of all the documents are called for verification are to be kept on record

and to ensure the exercise of due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the customer, it business

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and risk profile. All the documents, data or information collected under the customer due diligence process are to be kept up to date and relevant by undertaking review of existing records , particularly for higher risk categories of customer or business relationship . Where in existing business relationship is not possible to perform customer due diligence on the customer in respect of business relationship, we will terminate the business relationship and prepare a suspicious transactions report and same will be report to FIU-IND.

While carrying the transaction:

Documents requirements and other information to be collected in respect of customers will be as follows:

- i) A LERMS letter (duly approved by authorized person)
- ii) A-2 form containing details of passport, ticket/visa, payments details
- iii) Copies of passport, visa/ticket

If there is a market feedback regarding integrity of the customer, additional/current/latest documents may be asked.

B) INDIVIDUALS:

- i) All the transactions are to be undertaken only after proper identification of the customers. Photocopies of proof of identification are invariably be retained by the branch after verifying the original documents. Full details such as name, address etc are to be kept on record. In case the address of the customer is mismatched on the passport, proof of it such as copy of ration card, PAN card etc. is to be obtained and kept on record. Where transactions are being undertaken on behalf of minor son/daughter etc. by parents, identification evidence of all the persons concerned is to be obtained and kept on record.
- ii) Sale of forex is to be made on personal application and identification of the customer. In all the cases of sale of foreign exchange irrespective of the amount involved, for identification purpose passport and visa or ticket of the customer are to be insisted upon, Form A-2 for essential details of the traveller such as name & address, passport/air ticket particulars, purpose and declaration under section 10(5) of FEMA for releasing of foreign exchange to an individual. Where payment accepted more than Rs25, 000/- but not exceed to Rs.50, 000/- copy of PAN card/form -60 is to be insisted upon.

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In some cases where close relatives e.g. wife, son, daughter and parents etc. who live with their husband, father/mother, son, as the case may be, may find it difficult to undertake transactions with us as the utility bills required for address verification are not in their names. In such cases, we can obtain an identity document and a utility bill of the relative with whom the customer is living along with a declaration from the relative that the said person/customer is staying with him/her.

Purchase of foreign exchange from customers (Encashment)

Encashment facilities to be provided only after identifying the customer by applying KYC norms:

- i) For purchase of foreign currency notes and/ or Travelers' Cheques from customers for any amount less than US \$ 200 or its equivalent, photocopies of the identification document need not be obtained. However, full details of the Identification document are to be maintained.
- ii) For purchase of foreign currency notes and/ or Travelers' Cheques from customers for any amount in excess of US \$ 200 or its equivalent, the identification documents are to be verified & copy of such documents to be retained for record.
- iii) Payment in cash in Indian Rupees to resident customers towards purchase of foreign currency notes and / or Travellers; Cheques from them may be acceded to the extent of only US\$ 1000 or its equivalent per transaction.
- iv) Payment in cash to foreign visitors / Non-Resident Indians may be acceded to the extent of only US \$ 3000 or its equivalent.
- v) All purchases within one month may be treated as single transaction for the above purpose and also for reporting purposes.
- vi) In all other cases payment will be made by way of 'Account Payee 'cheque/ demand draft only.
- vii) Where the amount of forex tendered for encashment by a non-resident or a person returning from abroad exceeds the limits prescribed for Currency Declaration Form (CDF), we would invariably insist for production of the declaration in CDF.

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Sale of Foreign exchange to customers

i) In all cases of sale of foreign exchange, irrespective of the amount involved , for identification purpose the passport of the customer is to be insisted upon and sale of foreign exchange will be made only on person application and after verification of the identification document. A copy of the identification documents are to be retained by us.

ii) Payment in excess of Rs. 50,000/- towards sale of foreign exchange are received only by crossed cheque drawn on the bank account of the applicant's firm/ company sponsoring the visit of the applicant / Banker's cheque / Pay order/ Demand Draft. Such payment can also be received through debit cards/ credit cards / prepaid cards. We are also to ensure that a)) KYC / AML guidelines are complied with ,b) Sale of foreign currency /issue of foreign currency Travellers' Cheque is within the limit and the purchaser of foreign currency / foreign currency Travellers' Cheque and credit/ debit/ prepaid card holder is one and the same person.

iii) All purchases made by a person within one month are treated as single transactions for the above purpose and also for reporting purposes.

iv) Encashment Certificate, wherever required, is also being insisted upon customers.

The branch staffs are advised to go through the same and ensure strict KYC Compliance in letter and spirit for complying with the objectives of KYC and AML. The following measures will be maintained for the Company's reputation; a) to prevent products/services from being used as a channel for misuse/money laundering/CFT, b) adhere to KYC policies and procedures; c) Take appropriate action once suspicious activity is detected and report to designated authorities.

3. Monitoring of Transactions

The Company will monitor the transactions on ongoing basis depending upon the risk categorization of customers. The extent of monitoring will depend on the risk sensitivity of the transaction & customer. Special attention will be paid to all complex and unusually large transactions which has no economic purpose and will be reported to the FIU as per prescribed Rules.

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ATTEMPTED TRANSACTIONS

Where the FLA is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, the transaction will not be undertaken. Under these circumstances, a suspicious transactions report will be sent designated authority in relation to the customer, even if the transaction is not put through.

4. Risk Management

Internal Audit & Compliance Department will be responsible in evaluating and ensuring adherence to the KYC policies and procedures. The concurrent auditors will check all transactions under Money changing activities to verify that each transaction is undertaken in compliance with all applicable Rules, Regulations, Guidelines and the STRs and CTRs have been reported whenever required to the FIU-IND. Compliance on the lapses, if any, recorded by the concurrent auditors will be put up to the Board.

A certificate from the Statutory Auditors on the compliance with KYC/AML/CFT guidelines will be obtained every year at the time of preparation of the Annual Report and kept on record.

Company's Internal Audit and compliance functions will have an important role in evaluating and ensuring adherence to the KYC policies and procedures.

II. COMBATING FINANCING OF TERRORISM

In case of any suspicion of money laundering or terrorist financing, irrespective of the amount involved, enhanced Customer Due Diligence (CDD) will be applied. All the documents, data or information collected under the customer due diligence process is kept up to date and relevant by undertaking reviews of existing records, particularly higher Risk categories of customers for business relationship. We will apply enhanced monitoring of transactions suspected of having terrorist links and swift identification of the transactions and making suitable reports to the FIU-IND on priority. Also we will take into account risks arising from the deficiencies in AML/CFT regime of certain jurisdictions viz. Iran, Uzbekistan, Pakistan, Turkmenistan, Sao Tome & Principe, while dealing with individual or businesses from these jurisdictions.

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III. Appointment of Principal Officer

Shri Ajit Pal Singh has been designated Money Laundering Reporting Officer has now been designated as Principal Officer. He will be monitoring & reporting all transactions & sharing all the information as required under the Law. The Principal Officer will be responsible for developing appropriate compliance management arrangement across the full range of AML/CFT areas. He will maintain close liaison with enforcement agencies and any other institutions which are involved in the fight against money laundering and combating financing of terrorism and timely submission of CTR and STR to the FIU-IND. His further functions will be:

- a. Training of staff and preparing detailed guidelines and instructions for detection of suspicious transactions;
- b. Receiving reports related to suspicious transactions and large Cash Transactions from the branches
- c. Deciding whether a transaction should be reported to the appropriate authorities and reporting the STRs and CTRs to FIU -IND as per prescribed Rules.
- d. Taking care of education and guidance of our FLAs for regular updating of knowledge through latest circulars.
- e. Ensuring that proper records and information of all the transactions is kept as per prescribed Rules

IV. Maintenance of records of transactions

The record of following transactions as prescribed under Rule 3 will be kept for 10 years from the date of transaction:

- a) All cash transactions of the value of more than Rs. 10 lakh or its equivalent in foreign currency;
- b) All series of cash transactions integrally connected to each other which have been valued below Rs. 10 lakh or its equivalent, in foreign currency, where such series of transactions have taken place within a month; and
- c) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

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d) Records relating to identification and address obtained in respect of all transactions;

Information to be preserved

We will be required to maintain the following information in respect of above mentioned transactions

- a) The nature of the transactions
- b) The amount of the transaction and the currency, in which it was denominated,
- c) The date on which the transaction was conducted and
- d) The parties to the transactions

V. Maintenance and preservation of Record

We will take appropriate steps to evolve a system for proper maintenance and preservation of transaction information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authority. The record of all the transaction as prescribed under Rule 3 will be kept for 10 years from the date of transactions, all necessary records of transactions, both with residents and non-residents which will permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

We will ensure that records pertaining to the identification of the customer and his address obtained while undertaking the transaction and during the course of business relationship are properly preserved. The identification records and transaction data will be made available to the competent authorities upon request.

VI. Reporting to Financial Intelligence Unit-India

A) Cash Transaction Report (CTR)

- i) All cash transactions of the value of more than Rs. 10 lakh or its equivalent in foreign currency;
- ii) All series of cash transactions integrally connected to each other which have been valued below Rs. 10 lakh or its equivalent, in foreign currency, where such series of transactions have taken place within a month;
- iii) Detail of individual transaction below Rs. 50,000/- need not be furnished.

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iv) The Cash Transaction Report for each month will be submitted to FIU-IND by 15th of the succeeding month in the prescribed format.

B) Suspicious Transaction Reports (STR)

While determining suspicious transactions, the staff has to be vigilant against money laundering transactions at all times. An important part of the AML measures is to determine whether a transaction is suspicious or not.

Following guidelines will be the indicators for reporting the transaction as suspicious to Head Office:

- Customer is reluctant to provide details/documents on frivolous grounds;
- Transaction is undertaken by one or more intermediaries to protect the identity of the beneficiary or hide their involvement;
- Change in the pattern of transactions;
- Size and frequency of transactions is high considering the normal business of the customer;

- i) All attempted transaction (irrespective of the amount of the transaction)
- ii) Any transaction those have reasonable ground to believe that the transaction involve proceeds of crime irrespective of the amount of transaction.
- iii) The STR will be furnished within 7 days of arriving at a conclusion that any transaction, including an attempted transactions , whether cash or non-cash , or a series of transactions integrally connected are of suspicious nature. The principal office will record the reason for treating any transactions or a series of transaction as suspicious. Such report will be reported to competent authorities.

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VII. Customer Education / Employees' Training / Employees' Hiring

a) Customer education

We have to ensure that as per the implementation of KYC procedures, we are to educate the customers from time to time for implementing the KYC / AML procedures/ guidelines through specific literature , pamphlets etc . Principal Officer is to issue latest instruction, guidelines from time to time to train the FLA's. Our staff members will have to update themselves from time to time with

the latest instructions and will convey to the customers about KYC/ AML guideline and to deal the customer according to the requirements/situation.

b) Employees' Training

The Principal Officer & RAOs will be arranging ongoing training programme from time to time to educate /train to FLA's /Staff about the KYC/AML policies and procedures relating to prevention of money laundering, provisions of the PMLA. So that they can monitor all the transactions to ensure that no suspicious activity is being undertaken under the guise of money changing.

C) Hiring of Employees

Before employing of new person in the organization adequate screening mechanism are to be used as an integral part of recruitment / hiring process of the personnel to ensure high standards. For the accomplishment of this process we will advice to the Human Recourses Deptt. that the social and financial reputation as well as the family background of the new employee is ascertained before offering him the job.

Taken for review and approval in the meeting of Board of Directors on 14.01.2023.

For Amrit Malwa Capital Limited

SD/-

Ajit Pal Singh
Managing Director
DIN-01583946