

SHRIRAM CREDIT COMPANY LIMITED

Know Your Customers–Policies and Procedures

FAIR PRACTICE CODE

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Vetted by	Chief Financial Officer
Approved by	Members of the Audit Committee and the Board of Directors
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Applicability	All the borrowers.
Reference	Master Direction - Know Your Customer (KYC) Direction, 2016
In Compliance to	RBI/DBR/2015-16/18-MasterDirection DBR.AML.BC.No.81/14.01.001/2015-16

Shriram Credit Company Limited hereinafter referred to as SCCL, recognizes its role as a Non-Banking Financial Company and endeavors to adopt the best practices with the highest standards of governance through transparency in business ethics, accountability to its customers, government and others.

This Know your customer (KYC) policy is thus being designed in lines with Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 and the guidelines mentioned therein, as amended from time to time.

Accordingly, SCCL has adopted and implemented this KYC policy, duly approved by the Company's Board of Directors.

This policy is applicable to all categories of clients/borrowers serviced by SCCL.

1. Objectives

The objective of this KYC policy is to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or any other punishable criminal acts by complying with all applicable requirements under the applicable regulatory bodies and its regulations. Thus, SCCL aims to establish adequate procedure and internal controls to ensure compliance with all applicable regulations.

2. Scope

- 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.

3. Applicability

All the monetary transactions between SCCL and other parties (including its customer) will be covered under this policy. The management of SCCL as well as Board of Directors are responsible to ensure adherence of the provisions mentioned in this policy.

4. Preventive Measures

The minimum standards shall be specific procedure for Customer identification, Know Your Customer, Household and/or Business verification, Referral check and Credit Bureau checks. All the employees shall be responsible to identify and report unusual and suspicious activity.

5.A. Money Laundering and Terrorist Financing Risk Assessment

(a) SCCL shall carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise 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, SCCL shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with SCCL from time to time.

(b) The risk assessment by SCCL shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of SCCL. Further, the periodicity of risk assessment exercise shall be determined by the Board or any committee of the Board of SCCL to which power in this regard has been delegated, in alignment with the outcome of the risk assessment exercise. However, it should be reviewed at least annually.

(c) The outcome of the exercise shall be put up to the Board or any committee of the Board to which power in this regard has been delegated, and should be available to competent authorities and self-regulating bodies.

5.B. SCCL shall apply a Risk Based Approach (RBA) for mitigation and management of the risks (identified on their own or through national risk assessment) and should have Board approved policies, controls and procedures in this regard. SCCL shall implement a CDD programme, having regard to the ML/TF risks identified and the size of business. Further, SCCL shall monitor the implementation of the controls and enhance them if necessary.

6. Standard KYC Procedure

The KYC procedure shall be completed while opening loan accounts and also has to be periodically updated. We shall design and follow the KYC policy in line with the guidelines issues by the RBI and MFIN from time to time.

- At a minimum, two standard KYC documents need to be collected and captured in MIS. Staff or Representative of SCCL shall ensure that all photocopies are certified by the customer (by signing/thumb impression on them). The Staff or Representative of SCCL shall also verify photocopies against the original and put a stamp on the photocopies marking “Original Seen & Verified”, with his/her employee ID and sign it.
- KYC for the MFI segment: The KYC IDs shall be as per guidelines of RBI and MFIN. The Operational manual and policies shall also be in lines to these RBI and MFIN guidelines as updated from time to time.
- Updation of KYC: KYC exercise shall be done at the time of opening accounts of customers. Updation of KYC shall be done at least every two years for high risk customers, every eight years for medium risk customers and every ten years for low risk customers or every time facility is renewed/ replenished, whichever is earlier. KYC documents shall be preserved for at least 8 years after loan closure. Further, the identification records and transaction data shall be made available to the competent authorities upon request. SCCL shall advise the customers that in order to comply with the PML Rules, in case of any update in the documents submitted by the customer at the time of establishment of business relationship/account-based relationship and thereafter, as necessary, customers shall submit such documents to SCCL. This shall be done within 30 days of the update to the documents for the purpose of updating the records at SCCLs’ end.
- A Unique Customer Identification Code (UCIC) shall be issued to identify the customers, avoid multiple identities, track the facilities availed, monitor financial transactions in a holistic manner and enable a better approach to risk profiling of customers. SCCL shall allot UCIC while entering into new relationships with individual customers as also the existing customers.
- In case of KYC document changes / updation, the physical copies of these KYC documents shall also be obtained from the customers in lines of compliance to the RBI and MFIN guidelines.
- SCCL shall also additionally submit the KYC data to the Credit Information Companies at a frequency and format as stipulated by RBI and MFIN or any other regulatory authority, which comes into force post implementation of this policy.

“Digital KYC” means capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, 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 SCCL as per the provisions contained in the Information Technology Act, 2000. Steps to carry out the Digital KYC process have also been stipulated.

- “Equivalent e-document” as an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per Rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.

7. Procedure for obtaining Identification Information

Individual Clients:

- (a) The NBFC shall obtain a self-attested photograph from the customer.
- (b) The designated officer of the NBFC certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.
- (c) The account shall remain operational initially for a period of twelve months, within which Customer Due Diligence (CDD).
- (d) Balances in all their accounts taken together shall not exceed rupees fifty thousand at any point of time.
- (e) The total credit in all the accounts taken together shall not exceed rupees one lakh in a year.
- (f) The customer shall be made aware that no further transactions will be permitted until the full KYC procedure is completed in case Directions (d) and (e) above are breached by him.
- (g) The customer shall be notified when the balance reaches rupees forty thousand or the total credit in a year reaches rupees eighty thousand that appropriate documents for conducting the KYC must be submitted otherwise the operations in the account shall be stopped when the total balance in all the accounts taken together exceeds the limits prescribed in direction (d) and (e) above.
- (h) The account shall be monitored and when there is suspicion of ML/TF activities or other high-risk scenarios, the identity of the customer shall be established.
 - KYC verification once done by one branch/office of the SCCL shall be valid for transfer of the account to any other branch/office of the same SCCL, provided full 30 KYC verification has already been done for the concerned account and the same is not due for periodic updation.

Sole Proprietary firms:

- For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out.
- In addition to the above, any two of the following documents or the equivalent e documents there of as a proof of business/ activity in the name of the proprietary firm shall also be obtained:
 - (a) Registration certificate including Udyam Registration Certificate (URC) issued by the Government
 - (b) Certificate/licence issued by the municipal authorities under Shop and Establishment Act
 - (c) Sales and income tax returns
 - (d) CST/VAT/ GST certificate
 - (e) Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities
 - (f) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT or Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute
 - (g) Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities

(h) Utility bills such as electricity, water, landline telephone bills, etc.

- In cases where the SCCL are satisfied that it is not possible to furnish two such documents, SCCL may, at their discretion, accept only one of those documents as proof of business/activity.

Provided SCCL undertake contact point verification and collect such other information and clarification as would be required to establish the existence of such firm, and shall confirm and satisfy itself that the business activity has been verified from the address of the proprietary concern.

Legal Entities:

- For opening an account of a company, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:
 - (a) Certificate of incorporation
 - (b) Memorandum and Articles of Association
 - (c) Permanent Account Number of SCCL
 - (d) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
 - (e) relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf
 - (f) the names of the relevant persons holding senior management position; and
 - (g) the registered office and the principal place of its business, if it is different.
- For opening an account of a partnership firm, the certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:
 - (a) Registration certificate
 - (b) Partnership deed
 - (c) Permanent Account Number of the partnership firm
 - (d) relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf
 - (e) the names of all the partners and
 - (f) address of the registered office, and the principal place of its business, if it is different.
- For opening an account of a trust, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:
 - (a) Registration certificate
 - (b) Trust deed
 - (c) Permanent Account Number or Form No.60 of the trust
 - (d) Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf
 - (e) the names of the beneficiaries, trustees, settlor, protector, if any and authors of the trust
 - (f) the address of the registered office of the trust; and
 - (g) list of trustees and documents, for those discharging the role as trustee and authorised to transact on behalf of the trust.
- For opening an account of an unincorporated association or a body of individuals, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:
 - (a) Resolution of the managing body of such association or body of individuals
 - (b) Permanent Account Number or Form No. 60 of the unincorporated association or a body of individuals
 - (c) Power of attorney granted to transact on its behalf

(d) Documents relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf and

(e) Such information as may be required by SCCL to collectively establish the legal existence of such an association or body of individuals.

- For opening account of a customer who is a juridical person (not specifically covered in the earlier part) such as societies, universities and local bodies like village panchayats, etc., or who purports to act on behalf of such juridical person or individual or trust, certified copies of the following documents or the equivalent e-documents thereof shall be obtained and verified:
 - (a) Document showing name of the person authorised to act on behalf of the entity
 - (b) Documents of the person holding an attorney to transact on its behalf and
 - (c) Such documents as may be required by SCCL to establish the legal existence of such an entity/juridical person.

Provided that in case of a trust, SCCL shall ensure that trustees disclose their status at the time of commencement of an account-based relationship or when carrying out.

8. Identification of Beneficial Owner

For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and shall be undertaken keeping in view the following:

a. Where the customer or the owner of the controlling interest is (i) an entity listed on a stock exchange in India, or (ii) is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions, or (iii) is a subsidiary of such listed entities; it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such an entity.

b. In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

9. Accounts of Politically Exposed Persons (PEPs)

- SCCL shall have the option of establishing a relationship with PEPs (whether as customer or beneficial owner) provided that, apart from performing normal customer due diligence:
 - (a) SCCL have in place appropriate risk management systems to determine whether the customer or the beneficial owner is a PEP;
 - (b) Reasonable measures are taken by the SCCL for establishing the source of funds / wealth;
 - (c) the approval to open an account for a PEP shall be obtained from the senior management;
 - (d) all such accounts are subjected to enhanced monitoring on an on-going basis;
 - (e) in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval is obtained to continue the business relationship;
- These instructions shall also be applicable to family members or close associates of PEPs.

10. Maintenance and preservation of records

As per the provisions of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005); SCCL shall maintain records as under:

- a. Maintain all necessary records of transactions between SCCL and the Customer for at least five years from the date of transaction.

- b. 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;
- c. 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);
- d. maintain all necessary information in respect of transactions, 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.
- e. 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;
- f. maintain records of the identity and address of their customer, and records in respect of transactions

11. Compliance of KYC policy

(a) SCCL shall ensure compliance of this KYC Policy through the Chief Financial Officer and the Company Secretary in the Company and is responsible for the following functions:

- (i) Allocation of responsibility for effective implementation of policies and procedures.
- (ii) Independent evaluation of the compliance functions of SCCLs' policies and procedures, including legal and regulatory requirements.
- (iii) Concurrent/internal audit system to verify the compliance with KYC policies and procedures.
- (iv) Submission of quarterly audit notes and compliance to the Audit Committee.

(b) SCCL shall ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

12. Conclusion

This policy is framed to take adequate measure for Anti Money Laundering (AML), Counter Terrorism Financing (CFT), Anti –Fraud and other punishable criminal acts. This policy specifies the preventive measures, required to identify unusual and suspicious activity before providing or taking financial assistance to/from the customers/other parties. It also specifies about the requirement of adequate internal control system for ensuring the adherence of the preventive measures, required for AML activities.

(This policy has been reviewed and recommended by the Audit Committee and subsequently approved by the Board of Directors in their meeting held on 16th May, 2025.)