

GUJARAT STATE FINANCIAL SERVICES LIMITED

(CIN: U65910GJ1992SGC018602)

KYC & PMLA Policy

1. PREAMBLE:

Gujarat State Financial Services Ltd. (GSFS), is a Systemically Important Non-Deposit Taking (ND-SI) NBFC registered with Reserve Bank of India. It is a Company promoted and owned by Government of Gujarat, which started its operations in the year 1993. The basic objective of the Company is to manage the surplus funds of Departments and PSUs of the State Government. The Company offers higher interest rates on deposits than banks. The funds received are primarily provided as loans to other State Government PSUs at a lower interest rate as compared to banks/FIs. However, as the entire funds cannot be provided as loans due to immediate non availability of borrower, and to maintain adequate liquidity, the surplus funds available with GSFS are invested in the Money Market. This unique mechanism, which exists only in Government of Gujarat, creates a win-win situation for depositors, borrowers and State PSUs.

In compliance with the Circular issued by the RBI regarding 'Know Your Customer' guidelines & 'Anti-Money Laundering Standards' to be followed by all NBFCs, the following Know Your Customer (KYC) & Prevention of Money Laundering Act (PMLA) Policy of the Company is adopted by the Board of Directors of the Company.

"KNOW YOUR CUSTOMER" (KYC) & PREVENTION OF MONEY LAUNDERING ACT (PMLA) POLICY

2. OBJECTIVES:

- (i) to put in place systems and procedures to help control financial frauds, identify money laundering and suspicious activities and safeguarding the Company from being unwittingly used for transfer or deposit of funds derived from criminal activity or for financing of terrorism;
- (ii) to put in place systems and procedures for customer identification and verifying his / her identity and residential address; and
- (iii) to monitor transactions of a suspicious nature.

3. DEFINITION OF CUSTOMER: FOR THE PURPOSE OF THIS KYC & PMLA POLICY, A CUSTOMER IS:

- (i) a person or entity that has a dealing and/or has a business relationship with the Company in respect of placement of funds, lending and investments and this includes Companies, Bodies Corporate, Limited Liability Partnerships, Trusts, Board, Local Authorities, Corporations of Government of Gujarat and in respect of its business, its suppliers, vendors etc.;
- (ii) beneficial owner(s) of the above said entities;
- (iii) professional intermediaries, such as Dealers, Chartered Accountants,

Company Secretaries and Solicitors as permitted under law; or

- (iv) any other person or entity connected with a financial transaction, which can pose significant reputational or other risks to the Company.

4. PROCEDURE FOR CUSTOMER IDENTIFICATION & ACCEPTANCE & OTHER MATTERS:

- a. The Company is engaged in the activities mainly comprising of accepting funds, within the group namely Government of Gujarat owned and controlled entities, and hence here, the customer of the Company can be broadly classified into the categories, as referred to in Para 3 (i) above.
- b. Customer identification means identifying the customer and verifying his / her identity by using reliable and independent source of documents, data or information to ensure that the customer is not a fictitious person.
- c. The Company shall ensure that its customer is not a fictitious person by verifying the identity of the customer through documentation and shall also carry out necessary checks, so as to ensure that the identity of the customer on the basis of the documents obtained does not match with any person with known criminal background or with banned entities, such as individual terrorists or terrorist organizations. The Company shall periodically monitor its customer base with the RBI circulars and information providing such lists of terrorists or terrorist organizations.
- d. The Company may collect such documents and other information in respect of different categories of its customers depending on perceived risk and keeping in mind the requirements of Prevention of Money Laundering Act, 2002 and guidelines issued by the RBI from time to time. Besides risk perception, the nature of information / documents required would also depend on the type of the customer (individual, corporate etc.)
- e. The Company may compile data of each new customer. The customer profile may contain information relating to customer's identity, profile, financial status and nature and location of its business activity.
- f. There are certain indicative guidelines issued by RBI from time to time for customer identification requirements with regard to matters, such as `Trust / Nominee or Fiduciary Accounts, Accounts of companies & firms, Client Accounts opened by professional intermediaries, Accounts of Politically Exposed Persons resident outside India and Accounts of non face-to-face customers and these guidelines may also be adhered to, to the extent applicable.
- g. 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. Decision to deal with such persons as a customer shall be taken up at a senior management level and shall be subjected to enhanced monitoring, to the extent applicable.
- h. One or more of the following valid self-attested documents may be called for from the customers as proof of their identity and address:

5. TYPE OF CUSTOMER DOCUMENTS

(a) In case of Individuals:

(i) Identity proof (Copy of one of the following) (for vendors / suppliers etc.)

- Income Tax Pan Card
- Passport
- Voter's Identity Card
- Driving Licence
- UID Adhaar Card
- Bank Pass Book with photo (Scheduled Bank)

(ii) Residence proof (Copy of one of the following) (for vendors / suppliers etc.)

- Latest Telephone bill
- Latest Electricity bill
- Registered rental/lease/sale agreement
- Passport
- Ration Card
- Voter's Identity Card
- Driving Licence
- UID Adhaar Card
- Latest Bank Account statement or Bank Pass Book of Scheduled Bank

(b) In case of Non-Individual

(i) Identity proof (Copies of all of the following)

- IT Pan Card
- Incorporation Certificate & Memorandum & Articles of Association (Registration Certificate / Trust Deed, in case of Partnership firm/Trust)
- Goods and Service Tax (GST) Certificate
- List of Directors/Partners/Trustees and Board resolution / approval for transaction
- Latest shareholding pattern and copy of Latest Financial Results / IT return

(ii) Address proof (Copy of one of the following)

- Latest telephone bill or electricity bill or
- Registered Rental/Lease /Sale agreement or
- Address verification by the GOG entity on its letter head or
- Shops & Establishment Certificate

6. CEILING & MONITORING OF TRANSACTIONS:

- (i) The Company normally does not and would not have large cash transactions. However, if and when cash transactions of Rs.10 lakhs and above are

undertaken, the Company will keep proper record of all such cash transactions in a separate register maintained at its office.

- (ii) The Company shall monitor transactions of a suspicious nature on an ongoing basis for the purpose of reporting it to the appropriate authorities. The extent of monitoring by the Company will depend on the risk sensitivity of the account and special attention will be given to all complex unusually large transactions, which have no apparent economic or lawful purpose.
- (iii) The Company shall promptly report such high value cash transactions or transactions of a suspicious nature to the appropriate regulatory and investigating authorities.

7. RISK MANAGEMENT:

Risk management shall include categorization of customers based on the perceived risk by the company. In this regard, the company shall categorize its customers in 3 categories viz. i. Low-risk ii. Medium-risk and iii. High-risk customers.

Since the category of customers involved in the financial transactions with GSFS only comprises of non-individual entities, for the purpose of risk categorisation, entities whose parentage, formation and sources of fund can be identified and the business transactions largely conform to their known business activity, shall be categorised as low risk. Illustrative example of low-risk customers shall include:

- a) Government Departments
- b) Government companies (listed and unlisted)
- c) Other entities having Government parentage/administrative control
- d) Entities specifically instructed by Government to place funds with GSFS
- e) Regulated Financial Institutions and significant well-established entities

As per the unique business model of the company, the category of customers involved in the financial transactions are:

- a) Government of Gujarat entities, b) Primary Dealers, c) Asset Management Companies.

Out of these categories, Government of Gujarat entities have parentage of State Government. The primary dealers are registered with RBI and asset management companies are regulated by SEBI. Therefore, the above types of customers shall be categorized as Low risk for risk categorization. Hence, the company shall obtain only the basic KYC requirements from such entities for verification of identity and location of the customers.

Customers, which do not come under the low-risk category, shall be categorised as medium or high-risk customer and shall include entities which require higher due diligence for KYC purposes as they may pose higher than average risk to the company. However, the Company's internal audit and compliance functions shall play an important role in evaluating and ensuring adherence to KYC policies and procedure, including legal and regulatory requirement. The internal audit machinery shall be at all points of time staffed adequately with individuals who are well versed in such policies and procedures.

8. CUSTOMER & STAFF EDUCATION:

The Company may have an ongoing employee training programme, so that staff members are adequately trained in KYC procedures, who in turn may also educate customer from time to time. The frontline investment and lending and operating managers shall be fully equipped with the compliance requirements of KYC guidelines in respect of new customer acquisition and shall adhere to the Customer Identification & Acceptance procedure as above. The rationale of KYC guidelines shall be updated periodically to new staff members also on an ongoing basis. The Company shall also prepare an information data file compiling all relevant particulars of its customers, which may be of a personal nature. The said data shall also comprise all related KYC information in respect of existing and past customers.

Suspicious transactions shall be reported immediately to the Managing Director of the Company.

In addition to the guidelines given under the aforesaid Policy, the Company may also stipulate other guidelines through its other policy documents and the same are also to be adhered to.

9. REVIEW AND APPROVAL:

The Policy may be reviewed at the end of 3 years or earlier, if required.