

# KYC POLICY

**Wellworth Financial**  
**Services Pvt. Ltd.**

*Document Control Page*

<b>Document Name</b>	KYC Policy
<b>Applicability</b>	NBFC

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## **Know Your Customer (KYC) Policy**

### **Introduction**

Reserve Bank of India (RBI) vide its circular on January 04, 2024, bearing No. RBI/2023-24/107 DOR.AML.REC.66/14.01.001/2023-24) notified the Know Your Customer (KYC) Directions, 2024 (KYC Directions, 2024) inter alia, directing that every regulated entity to adopt a Know Your Customer (KYC) Policy, duly approved by the Board of Directors. This policy is drafted in accordance with the aforementioned Master Director and amendments issued thereon. These directions have been issued by the RBI in terms of the provisions of Prevention of Money-Laundering Act, 2002 (PMLA) and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005.

Wellworth Financial Services Pvt Ltd (Wellworth) is a non-deposit taking NBFC (Regulated Entity as defined under these Directions). It invests in equities and fixed income securities and lends money against shares and securities. The NBFC does not accept deposits. Accordingly, the following KYC Policy has been adopted by the Board suitably, superseding the existing KYC & PMLA Policy of the Company, as amended from time to time.

### **Objective**

The objectives of this policy are as follows:

- (a) To put in place an effective system and procedure for customer identification and verifying its / his / her identity and residential address and conduct customer due diligence based on the risk factor associated with each customer;
- (b) To have in place a system of assessing and monitoring the risk factors associated with each customer;
- (c) To put in place a system of checks and balances to ensure formulation and effective implementation of procedures to help control and mitigate the risk of occurrence of financial frauds, swiftly identify probable transactions of money laundering and related suspicious activities and safeguarding the RE from being unwittingly used as a conduit for transfer or deposit of funds derived from criminal activity or for financing of terrorism, irrespective of whether such money can be traced to a specific act of terrorism or not;
- (d) To monitor transactions of a suspicious nature and report the same to the Financial Intelligence Unit- India (FIU- IND), verification and maintenance of records of transactions of customers in accordance with PMLA and the Rules made thereunder;

## Definitions

For the purpose of this Policy,

- (a) "Borrower" means a person who is engaged in a financial transaction with the NBFC and includes a person on whose behalf the entity such as Partnership / LLP / Company, who is engaged in the transaction or activity, is acting. Other terms not specifically defined here shall have the same meaning as assigned to them under the KYC Directions, 2016 or the PMLA.
- (b) The Wellworth Financial Services Pvt Ltd shall be referred as the RE.

## Customer Acceptance Procedure

- No account shall be opened in anonymous or fictitious/benami name.
- No account shall be opened where the RE is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer. The RE shall consider filing an STR, if necessary, when it is unable to comply with the relevant CDD measures in relation to the customer.
- No transaction or account-based relationship shall be undertaken without following the CDD procedure.
- The RE shall obtain the mandatory information to be sought for KYC purpose while opening client account and during the periodic updation as specified by the RBI from time to time.
- Additional information, where such information requirement has not been specified in this policy, shall be obtained with the explicit consent of the customer.
- The RE shall apply the CDD procedure at the unique customer identification code level. Thus, if an existing KYC compliant customer of the RE desires to open another account with the same RE, there shall be no need for a fresh CDD exercise.
- CDD Procedure shall be followed for all the joint account holders, while opening a joint account.
- The RE shall establish suitable system to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists issued from time to time.
- Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.

- Where an equivalent e-document is obtained from the customer, RE shall verify the digital signature as per the provisions of the Information Technology Act, 2000.
- Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.
- Customer Acceptance Policy shall not result in denial of banking/financial facility to members of the general public, especially those, who are financially or socially disadvantaged.
- Where the RE forms a suspicion of money laundering or terrorist financing, and it reasonably believes that performing the CDD process will tip-off the customer, it shall not pursue the CDD process, and instead file an STR with FIU-IND.
- The RE will use RBI caution advices in determining the customer acceptance framework.

### **Risk Management**

- The RE shall categorize its customers into 'High Risk / Medium Risk / Low Risk' according to risk perceived based on its experience and review it from time to time.
- Risk categorization of customers shall be undertaken on the basis of various factors, such as a customer's identity, social/financial status, nature of business activity, and information about the customer's business and their location, geographical risk covering customers as well as transactions, type of products/services offered, delivery channel used for delivery of products/services, types of transaction undertaken - cash, cheque/monetary instruments, wire transfers, forex transactions, etc.
- The RE may at its discretion identify additional factors that it may wish to utilize for customer acceptance based on risk profile determined by the RE.
- The risk categorisation of a customer and the specific reasons for such categorisation shall be kept confidential and shall not be revealed to the customer to avoid tipping off the customer.

### **Customer Identification Procedure**

- The RE shall undertake identification of customers in the following cases:
  - a. Commencement of an account-based relationship with the customer.
  - b. Carrying out any international money transfer operations for a person who is not an account holder of the RE.
  - c. When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.

- d. Selling third party products as agents, selling their own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than rupees fifty thousand.
- e. Carrying out transactions for a non-account-based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
- f. When the RE has reason to believe that a customer (account- based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.
- g. The RE shall ensure that introduction is not to be sought while opening accounts.

- **Reliance on third party for verification of client identity**

The RE may rely on customer due diligence done by a third party, subject to the following conditions:

- a. Records or the information of the customer due diligence carried out by the third party is obtained immediately from the third party or from the Central KYC Records Registry.
- b. Adequate steps are taken by REs to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.
- c. The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.
- d. The third party shall not be based in a country or jurisdiction assessed as high risk.
- e. The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the RE.

- While undertaking customer identification, the decision-making functions of determining compliance with KYC shall not be outsourced.
- The RE shall be adequately satisfied with the information furnished by each new customer with respect to identity of the customer and the purpose of the intended nature of relationship with the RE.
- The RE 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 confirm 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 RE shall obtain self-attested documents from the customers containing details of proof of their identity and address as per list of officially valid documents issued by the RBI and as amended from time to time.
- In addition to verification through valid documents, the RE may also call for suitable introduction by a person known to the RE.

### **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 all reasonable steps as per the PML Rules to verify his/her identity 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) it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions, or (iii) it 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 entities.

(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.

### **CDD measures in case of certain categories of non-individual customers**

The CDD measures pertaining to following categories of non-individual customers have been amended to include certain additional information / document requirements:

a) Companies - (i) the names of the relevant persons holding senior management position; and (ii) the registered office and the principal place of its business, if it is different.

b) Partnership firms - (i) the names of all the partners; and (ii) address of the registered office, and the principal place of its business, if it is different.

### **Reliable and independent sources of identification to be made**

The CDD, at the time of commencement of an account-based relationship or while carrying out occasional 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, or any international money transfer operations, shall include: (a) Identification of the customer, verification of their identity using reliable and independent sources of identification, obtaining information on the purpose and intended nature of the business relationship, where applicable;

### **Monitoring of Transactions:**

- i) The RE would not entertain any large cash transactions. However, when cash transactions of Rs.1,00,000/- (Rupees one lakh only) and above are undertaken, the RE will keep proper record of all such cash transactions in a separate cash account maintained at its office.
- ii) The RE 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 RE 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 RE shall promptly report such high value cash transactions or transactions of a suspicious nature to the appropriate regulatory and investigating authorities, as per the provisions of the PMLA and the Rules.
- iv) The RE shall exercise caution with respect to the transactions with persons (including legal persons and other financial institutions) from the countries, which have been identified by Financial Action Task Force (FATF) as high risk and non-cooperative jurisdictions with respect to compliance with the FATF Recommendations, 2012.
- v) The RE shall consider filing a Suspicious Transaction Report (STR), if necessary, when it is unable to comply with the relevant CDD measures in relation to the customer. Also the Company shall immediately obtains from the third party or from the Central KYC Records Registry, the record or the information of such client due diligence carried out by the third party.

### **On-going Due Diligence**

- The RE shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers'



business and risk profile and the source of funds/wealth. The extent of monitoring shall be aligned with the risk category of the customer.

- Without prejudice to the generality of factors that call for close monitoring following types of transactions shall necessarily be monitored:
  - (a) Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
  - (b) Transactions which exceed the thresholds prescribed for specific categories of accounts.
  - (c) High account turnover inconsistent with the size of the balance maintained.
  - (d) Deposit of third-party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

For ongoing due diligence, the RE may consider adopting appropriate innovations including artificial intelligence and machine learning (AI & ML) technologies to support effective monitoring.

- The extent of monitoring shall be aligned with the risk category of the customer. Example: High risk accounts have to be subjected to more intensified monitoring.
  - (a) A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.
  - (b) The transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies shall be closely monitored.

### **Periodic Updation of KYC**

Periodic updation shall be carried out at least once every two years for high risk customers, once every eight years for medium risk customers and once every ten years for low risk customers.

The RE shall follow guidelines issued by the RBI for periodic updation of KYC.

### **Enhanced Due Diligence**

#### **(a) Non-face-to-face customer onboarding (other than customer onboarding in terms of Section 17):**

- The RE shall not on-board non-face-to-face customers.

#### **(b) Accounts of Politically Exposed Persons:**

- “Politically Exposed Persons” (PEPs) are individuals who are or have been entrusted with prominent public functions by a foreign country, including

the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials.

- Generally, the RE would not open accounts of PEP. 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.
- The RE shall verify the current address through positive confirmation before allowing operations in the account, PAN shall be obtained from the customer and shall be verified, customers shall be categorized as high-risk customers and accounts opened in non-face to face mode shall be subjected to enhanced monitoring until the identity of the customer is verified in face-to-face manner or through V-CIP, etc.

### **Information obtained from Customers**

All the information collected from the customers by the RE shall be kept confidential and all such information shall be treated as per the agreement/terms and conditions signed by the customers.

### **Obligations under the Unlawful Activities (Prevention) (UAPA) Act, 1967**

The RE shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC).

### **Obligations under Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (WMD Act, 2005)**

The RE shall ensure meticulous compliance with the "Procedure for Implementation of Section 12A of the Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005" laid down in terms of Section 12A of the WMD Act, 2005 vide Order dated September 1, 2023, by the Ministry of Finance, Government of India (Annex III of this Master Direction) and amendments thereon.

### **Record Management**

The RE shall maintain and preserve the records pertaining to KYC and transactions for a period of five (5) years as prescribed by RBI.

## **Other Requirements**

All other requirements under FATCA/CRS/PML/FIU-Ind relating to appointment of designated officer/director, principal officer and reporting requirements relating to filing of Suspicious Transaction Report (STR), Cash Transaction Report (CTR), counterfeit currency report (CCR) and other applicable reports filing under FATCA will be complied with in terms of the direction of the RBI or the other authorities to the extent applicable to the RE.

Last Reviewed Date - **DD-MM-YYYY**

## List of Officially valid documents

Type of Customer	Documents
In case of Individuals	<p>Identity proof (copy of one of the following):</p> <ul style="list-style-type: none"> <li>➤ Passport</li> <li>➤ Driving Licence</li> <li>➤ PAN Card</li> <li>➤ Voter's Identity Card</li> <li>➤ Aadhar card</li> </ul> <p>Residence Proof (copy of one of the following):</p> <ul style="list-style-type: none"> <li>➤ Utility bill (latest telephone/post-paid mobile/ electricity bill)</li> <li>➤ Property or Municipal Tax receipt</li> <li>➤ Bank account or post office saving bank account statement</li> <li>➤ Passport</li> <li>➤ Driving licence</li> <li>➤ Voter's identity card</li> <li>➤ Aadhar card</li> </ul> <p>A copy of the marriage certificate of Gazette notification, in case of change in name</p>
In case of non-individual	<p>Identity and residence proof (copies of the following):</p> <ul style="list-style-type: none"> <li>• Income Tax PAN Card</li> <li>• Incorporation Certificate and Memorandum &amp; Articles of Association</li> <li>• Registration certificate and Deed in case of Partnership Firm/Trust</li> <li>• List of Directors/Partners/Trustees alongwith their respective documents as above.</li> <li>• Latest shareholding pattern alongwith the list of major shareholders having more than 10% of holding case of the Company</li> <li>• Utility bill</li> </ul>