



**ARNOLD HOLDINGS LTD.**

**(Non-Banking Finance Company)**

**CIN No. L65993MH1981PLC282783**

## **KNOW YOUR CUSTOMER (KYC) POLICY**

### **Preamble:**

Pursuant to the Reserve Bank of India ("RBI") Notification vide Circular no. DNBR (PD) CC No. 051/03.10.119/2015-16 dated July 1, 2015 on 'Know Your Customer' ("KYC") Guidelines - Anti Money Laundering ("AML") standards issued to non-banking financial companies ("NBFCs"); Arnold Holdings Limited (referred to as "the Company") has adopted KYC guidelines in line with the aforesaid KYC guidelines. The Company has ensured that a proper policy framework on KYC and AML measures be formulated in line with the prescribed RBI guidelines and put in place, duly approved by its Board of Directors.

### **Background:**

Money laundering refers to concealing or disguising the origin and ownership of the proceeds from criminal activities, including drug trafficking, public corruption, terrorism, fraud, human trafficking, and organized crime activities. Terrorist financing is the use of legally or illegally obtained funds to facilitate terrorist activities. Money laundering and terrorist financing may involve a wide variety of financial products, services, and transactions including lending and investment products, and the financing of equipment and other property that could be used to facilitate terrorism and other criminal activities.

Generally, the money laundering process involves three (3) stages: placement, layering and integration. As illegal funds move from the placement stage through the integration stage, they become increasingly harder to detect and trace back to the illegal source.

1. **Placement** is the point where illegal funds first enter the financial system.
2. **Layering** After illegal funds have entered the financial system, layers are created by closing and opening accounts, purchasing and selling various financial products, transferring funds among financial institutions and across national borders. The criminal's goal is to create layers of transactions to make it difficult to trace the illegal origin of the funds.
3. **Integration** occurs when the criminal believes that there are sufficient number of layers hiding the origin of the illegal funds to safely invest the funds or apply them towards purchasing valuable property in the legitimate economy.

To prevent money-laundering in India and to provide for confiscation of property derived from, or involved in, money-laundering and related matters, the Parliament of India enacted the Prevention of Money Laundering Act, 2002 (PMLA), as amended from time to time. Further, necessary Notifications / Rules under the said Act have been published and amended by the Ministry of Finance, the Government of India.

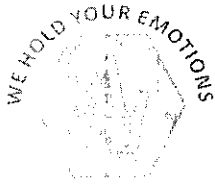
As per the Prevention of Money Laundering Act 2002, the offence of Money Laundering is defined as:

"Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering. "Proceeds of crime" means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to scheduled offence or the value of any such property."

The PMLA defines money laundering offence and provides for the freezing, seizure and confiscation of the proceeds of crime. The Reserve Bank of India (RBI) vide Master Direction DBR.AML.BC. No.81/14.01.001/2015-16 dated February 25, 2016 and subsequent modifications thereof, have prescribed guidelines "Anti Money Laundering" guidelines/ standards. In view of the above, KYC policy of the Company has been framed to broadly comply with the following purposes:

- a) To prevent criminal elements from using the Company for money laundering activities.





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- b) To enable the Company to know/ understand its customers and their financial dealings better which, in turn, would help the Company to manage risks prudently.
- c) To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.
- d) To comply with applicable laws and regulatory guidelines.
- e) To ensure that the concerned staff are adequately trained in KYC/AML/CFT procedures.

This Policy will be applicable to all branches/offices of Company and is to be read in conjunction with related operational guidelines issued from time to time.

**Definitions:**

**1. Customer:**

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

**2. Beneficial Owner:**

- a) Where the customer is a Company, the beneficial owner is the natural person, who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercise control through other means.

*Explanation:*

- 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, who, whether acting alone or together, or through one or more juridical person, has 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, who, whether acting alone or together, or through one or more juridical person, has ownership of/entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.

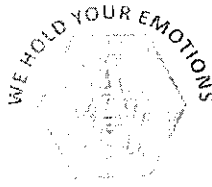
*Explanation: Term 'body of individuals' includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.*

- d) Where the customer is a trust, the identification of beneficial owner(s) to 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.

**3. Customer Due Diligence (CDD):**

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It means identifying and verifying the customer and the Beneficial Owner using 'Officially Valid Documents' as a 'proof of identity' and a 'proof of address' in the manner as provided under this Policy read along with the manner prescribed under the RBI's Guidelines on "Know Your Customer" and Anti-Money Laundering Measures, as amended from time to time.

**4. Person includes:**

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

**5. Senior Management:**

The Principal Officer and the Designated Director of the Company to constitute the Senior Management for the purpose of compliance of KYC.

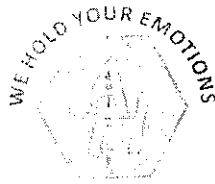
**Customer Acceptance Policy:**

Company's Customer Acceptance policy (CAP) lays down the criteria for acceptance of customers. The guidelines in respect of the customer relationship with the Company broadly are detailed below:

- a) No account is to be opened in anonymous or fictitious/benami name(s)/entity(ies).
- b) Accept customers only after verifying their identity, as per CDD Procedures defined aforesaid and shall be followed for all the joint account holders (including guarantors) as well, while opening a joint account.
- c) Necessary checks before opening a new account are to be ensured so that the identity of the customer does not match with any person with sanction lists circulated by the Reserve Bank.
- d) Classify customers into various risk categories and, based on risk perception, apply the acceptance criteria for each category of customers. Also, a profile of each customer will be prepared based on risk categorization.
- e) Appropriate Enhanced Due Diligence (EDD) measures (refer Annexure I) shall be adopted for high-risk customers, especially those for whom the sources of funds are not clear, transactions carried through correspondent accounts and customers who are Politically Exposed Persons (PEPs) and their family members/close relatives.
- f) In respect of unusual or suspicious transactions/applications or when the customer moves from a low risk to a high-risk profile, appropriate EDD measures (refer Annexure I) shall be adopted.
- g) Documentation requirements and other information to be collected in respect of different categories of Customers depending on perceived risk and compliances with Prevention of Money Laundering Act, 2002 (PMLA) and RBI/ Company guidelines/instructions are indicated in Annexure II to this Policy. The information collected from the Customers shall be kept confidential.
- h) Not to open an account or close an existing account (except as provided in this Policy), where CDD measures as defined in this Policy could not be applied, due to non-cooperation of the customer or non-reliability of the data/information furnished to Company. Suitable built-in safeguards shall be provided to avoid any harassment to Customers.
- i) Implementation of CAP should not become too restrictive and result in denial of Company services to general public, especially to those who are financially or socially disadvantaged.
- j) The decision to open an account for Politically Exposed Person (PEP) should be taken at a senior level. It may, however, be necessary to have suitable built-in safeguards to avoid harassment of the customer. For example,

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decision to close an account may be taken at a reasonably high level after giving due notice to the customer explaining the reasons for such a decision.

- k) Circumstances, in which a customer is permitted to act on behalf of another person/ entity shall be clearly spelt out in conformity with the established law and practice and to be strictly followed so as to avoid occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in the fiduciary capacity or beneficial owner.
- l) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- m) Suitable system is put in place to ensure that the identity of the Customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.
- n) The Company to seek only such information from the customer which is relevant to the risk category and is not intrusive. Any other information from the customer should be sought separately with his/her consent and after opening the account.
- o) 'Optional'/additional information, is obtained with the explicit consent of the customer after the account is opened.

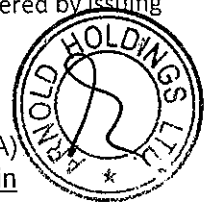
**Risk management:**

For Risk Management, the Company have a risk-based approach which include the following:

- a. The Board of Directors in consultation with the Principal Officer of the Company ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation.
- b. It cover proper management oversight, systems and controls, segregation of duties, training and other related matters.
- c. Responsibility be explicitly allocated within the Company for ensuring that the Company's policies and procedures are implemented effectively.
- d. The Company may, in consultation with its Board, devise procedures for creating Risk Profiles of their existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or The Companying/business relationship.
- e. The Company's compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures.
- f. The Company must have an on-going employee training programme so that the members of the staff are adequately trained in KYC procedures. Training requirements should have different focuses for frontline staff, compliance staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.
- g. Customers be categorised as low, medium and high risk category, based on the assessment and risk perception by the Company.
- h. Risk categorisation 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.

**Customer Identification Procedures ("CIP"):**

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The Company undertake identification of customers in the following cases:

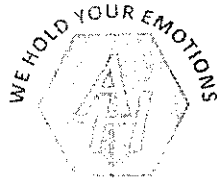
- a) Commencement of an account-based relationship with the customer.
- b) Carrying out any international money transfer operations for a person who is not an account holder of the Company.
- c) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- 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 Company 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 Company ensure that introduction is not to be sought while opening accounts.

**Customer Due Diligence (CDD) Procedure:**

1. CDD Procedure in case of Individuals: The Company obtain the following documents from an individual while establishing an account-based relationship:
  - a) One (1) certified copy of an OVD as defined above containing details of identity and address (as per Annexure II);
  - b) One (1) recent photograph; and
  - c) Such other documents pertaining to the nature of business or financial status specified by the Company.
2. The information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for cross selling or other purpose, except with the express consent from the customer.
3. Submission of PAN or form 60 in lieu of PAN and Aadhaar is mandatory for all customers, to the extent applicable, unless it is specifically exempted under any law/act/regulations/notification / circular etc.
4. Further, the Company may also opt for One Time Pin (OTP) based e-KYC process for onboarding of customers subject to the following conditions:
  - a) There must be a specific consent from the customer for authentication through OTP.
  - b) Only term loans not exceeding Rs. 60,000/- in a year shall be eligible.
  - c) Accounts opened using OTP based e-KYC shall not be allowed for more than one year within which Customer Due Diligence (CDD) procedure as provided in preceding paragraph is to be completed. If the CDD procedure is not completed within a year, no further debits shall be allowed in the loan account.

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- d) A declaration be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC either with the Company or with any other Bank/ NBFC/ HFC/ other entities regulated by RBI/ NHB. Further, while uploading KYC information to CKYCR, the Company clearly indicate that such accounts are opened using OTP based e-KYC and other regulated entities not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure.
- e) The Company will have monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above-mentioned conditions.

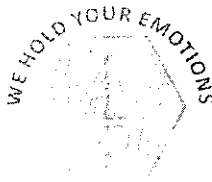
**Note:** The Company capture the KYC information for sharing with the CKYCR in the manner as prescribed in the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, under the prescribed KYC templates for 'Individuals' and 'Legal Entities' as applicable. Further, the Company upload the KYC data pertaining to all types of prescribed accounts with CKYCR, as and when required, in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

5. The Company may print/download directly, the prospective customer's e-Aadhaar letter from the UIDAI portal, if such a customer knows only his/her Aadhaar number or if the customer carries only a copy of Aadhaar downloaded from a place/source elsewhere, provided, the prospective customer is physically present in the branch of the Company.
6. A copy of the marriage certificate issued by the State Government or Gazette notification indicating change in name together with a certified copy of the 'officially valid document' in the existing name of the person be obtained for proof of address and identity, while establishing an account-based relationship or while undertaking periodic updation exercise in cases of persons who change their names on account of marriage or otherwise.
7. If a person who proposes to open an account does not have an OVD as 'proof of address', such person shall provide OVD of the relative, with whom the person is staying, as the 'proof of address'. 'Relative' to mean relative as defined under section 2(77) of the Companies Act, 2013. A declaration from the relative that the said person is a relative and is staying with him/her to be obtained.
8. If a customer categorized as 'low risk' expresses inability to complete the documentation requirements on account of any genuine reason, and where it is essential not to interrupt the normal conduct of business, the Company may, at its discretion, complete the verification of identity of the customer within a period of 6 months from the date of establishment of the relationship.
9. If an existing KYC compliant customer of the Company desires to open another account with it, there shall be no need for a fresh Customer due diligence (CDD) exercise.
10. KYC verification once done by one branch/office of the Company be valid for transfer of the account to any other branch/office of COMPANY, provided full KYC verification has already been done for the concerned account and the same is not due for periodic updation and a self-declaration from the account holder about his/her current address is obtained in such cases. However, in such cases the new / current address proof of the customer shall be obtained or steps will be taken to verify the local address.

**Simplified procedure for opening accounts by Non-Banking Finance Companies (NBFCs):**

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In case a person who desires to open an account is not able to produce documents mentioned in Annexure II, the Company may at their discretion open his account subject to the following conditions:

- a) The introducer's account with the Company shall be at least six month old and shows satisfactory transactions.
- b) The Company to obtain a self-attested photograph from the customer.
- c) The designated director of the Company certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.
- d) The account to remain operational initially for a period of twelve months, within which CDD as per this Policy.
- e) balances in all their accounts taken together shall not exceed rupees fifty thousand at any point of time
- f) the total credit in all the accounts taken together shall not exceed rupees one lakh in a year.
- g) The customer be made aware that no further transactions will be permitted until the full KYC procedure is completed in case Directions (f) and (g) above are breached by him.
- h) The customer to 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 (f) and (g) above.

#### **Monitoring of Transactions:**

As per Income Tax Act, 1961, Cash cannot be accepted by any person (Branch / collection staff) over and above Rs. 2,00,000/- (Two Lacs only) for a particular transaction or series of integrally connected transactions. The Company does not accept cash deposits in foreign currency.

As per Income Tax Act, 1961, for any Cash or its equivalent payment over and above Rs. 10,000/-, a 'source of funds' declaration for such cash should be obtained from the Customer / person depositing / repaying the loan.

*Note: Source of funds in cash is through 'sale of immovable property', then Cash or its equivalent for more than Rs. 20,000/- should not be accepted.*

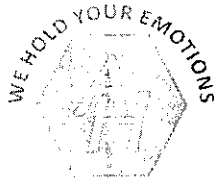
Ongoing monitoring is an essential element of effective KYC procedures. Monitoring of transactions and its extent to be conducted taking into consideration the risk profile and risk sensitivity of the account. Company to make endeavours to understand the normal and reasonable activity of the customer so that the transactions that fall outside the regular/pattern of activity can be identified, Special attention will be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose. Company may prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions which exceeds these limits. Transactions that involve cash over and above Rs. 1 lakh should particularly attract the attention of Company. Higher risk accounts to be subjected to intense monitoring.

Company to set key indicators for such account's basis the background of the customer, country of origin, sources of funds, the type of transactions involved and other risk factors which shall determine the extent of monitoring. The Company to carry out the periodic review of risk categorization of transactions/customer's accounts and the need for applying enhanced due diligence measures at a periodicity of not less than once in six (6) months.

Company to explore the possibility of validating the new account opening applications with various watch lists available in public domain, including RBI watch list.

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**Training Programme:**

Company shall have an ongoing employee training programs so that the members of the staff are adequately trained in KYC/ AML/ CFT procedures. Training requirements to have different focuses for frontline staff, compliance staff and officer/ staff dealing with new customers so that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

**Record Keeping:**

**1. Maintenance of records of transactions:**

The Company to maintain proper record of the transactions as required under Section 12 of the Prevention of Money Laundering Act, 2002 (PMLA) read with Rules 3 of the PML Rules as mentioned below:

- a) All cash transactions of the value of more than Rs. 2 lacs, though by policy the Company does not accept cash deposits in foreign currency.
- b) All series of cash transactions integrally connected to each other which have been valued below Rs. 2 lacs where such series of transactions have taken place within a month.
- c) All transactions involving receipts by non-profit organizations of Rupees Ten Lakhs or its equivalent in foreign currency.
- d) All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place; any such transactions;
- e) Records pertaining to identification of the customer and his/her address; and
- f) All suspicious transactions whether or not made in cash and in manner as mentioned in the Rule framed by the Government of India under PMLA.

An Illustrative List of suspicious transaction pertaining to financial services is given in Annexure III.

**2. Records to contain the specified information:**

The Records referred to above in Rule 3 of PMLA Rules to contain the following information:

- 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 transaction.

**3. Maintenance and preservation of records:**

Section 12 of PMLA requires the Company to maintain records as under:

- a) records of all transactions referred to in clause (a) of Sub-section (1) of section 12 read with Rule 3 of the PML Rules is required to be maintained for a period of five (5) years from the date of transactions between the clients and Company.
- b) records of the identity of all clients of Company are required to be maintained for a period of five years from the date of cessation of transactions between the clients and Company.

Company shall take appropriate steps to evolve a system for proper maintenance and preservation of information in a manner (in hard and soft copies) that allows data to be retrieved easily and quickly whenever required or as/ when requested by the competent authorities.



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**Appointment of Principal Officer:**

Company shall designate a senior employee as 'Principal Officer' (PO) who shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. The name, designation and address of the Principal Officer shall be communicated to the FIU-IND.

**Reporting to FIU-IND:**

In accordance with the requirements under PMLA, the Principal Officer of Company will furnish the following reports, as and when required, to the Director, Financial Intelligence Unit-India (FIU-IND):

- a) Cash Transaction Report (CTR) - If any such transactions detected, Cash Transaction Report (CTR) for each month by 15<sup>th</sup> day of the succeeding month.
- b) Counterfeit Currency Report (CCR) - All such cash transactions where forged or counterfeit Indian currency notes have been used as genuine as Counterfeit Currency Report (CCR) for each month by 15<sup>th</sup> day of the succeeding month.
- c) Suspicious Transactions Reporting (STR) - The Company to endeavour to put in place automated systems for monitoring transactions to identify potentially suspicious activity. Such triggers shall be investigated and any suspicious activity will be reported to FIU-IND.

The Company to file the Suspicious Transaction Report (STR) to FIU-IND within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. However, in accordance with the regulatory requirements, the Company shall not put any restriction on operations in the accounts where an STR has been filed. An indicative list of suspicious transactions is enclosed as Annexure III. The employees of the Company shall maintain strict confidentiality of the fact of furnishing/ reporting details of suspicious transactions.

**Appointment of Designated Director:**

The Board of Directors to nominate a "Designated Director" to ensure compliance with the obligations prescribed by the PMLA and the Rules made there under. The "Designated Director" can be a person who holds the position of senior management or equivalent. However, it shall be ensured that the Principal Officer is not nominated as the "Designated Director". The name, designation and address of the Designated Director shall be communicated to the FIU-IND.

**General:**

**1. Closure of Accounts/Termination of Financing/Business Relationship:**

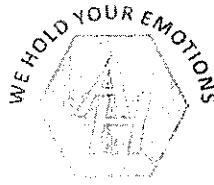
Where the Company is unable to apply appropriate KYC measures due to non-furnishing of information and/or non-cooperation by the customer, the Company to terminate Financing/Business Relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decision to be taken with the approval of Chairman & Managing Director or key managerial persons authorized for the purpose.

**2. KYC for the Existing Accounts:**

While the KYC guidelines will apply to all new customers, the same would be applied to the existing customers on the basis of materiality and risk. However, transactions with existing customers would be continuously monitored for any unusual pattern in the operation of the accounts.



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### **3. Updation in KYC Policy of Company:**

Principal Officer after taking the due approval from the Board of Directors of Company shall make the necessary amendments/modifications in the KYC/ AML/ CFT Policy or such other related guidance notes of Company, to be in line with RBI or such other statutory authority's requirements/updates/ amendments from time to time.

## **ANNEXURE I**

### **Enhanced Due Diligence (EDD) measures**

#### **1. Accounts of Politically Exposed Persons (PEPs):**

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.

- a) Branch/office to 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.
- b) Branch/office to verify the identity of the person and seek information about the sources of funds before accepting the PEP as a Customer.
- c) The decision to provide financial services to an account for PEP to be taken at a senior level and shall be subjected to monitoring on an ongoing basis.
- d) The above norms may also be applied to the accounts of the family members or close relatives of PEPs.

#### **2. Accounts of non-face-to-face customers:**

- a) In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, there must be specific and adequate procedures to mitigate the higher risk.
- b) Certification of all the documents presented may be insisted upon and, if necessary, additional documents may be called for.
- c) In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and the NBFCs may have to rely on third party certification/ introduction. In such cases, it must be ensured that the third party is a regulated and supervised entity and has adequate KYC systems in place.

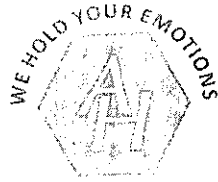
#### **3. Trust/Nominee or Fiduciary Accounts:**

Branch/offices to determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, they shall insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place.

Company to take reasonable precautions to verify the identity of the trustees and the settlers of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries to be identified when they are defined. In the case of a 'foundation', branches to take steps to verify the founder managers/directors and the beneficiaries, if defined. There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures.



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**ARNOLD HOLDINGS LTD.**  
(Non-Banking Finance Company)  
CIN No. L65993MH1981PLC282783

#### 4. Accounts of companies and firms:

Branch/office need to be vigilant against business entities being used by individuals as a front for maintaining accounts with NBFCs. Branch/ office may examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perception e.g. in the case of a public Company it shall not be necessary to identify all the shareholders.

#### Annexure II

Customer Identification Procedure Features to be verified and Documents that may be obtained from Customers:

#### IN CASE OF INDIVIDUALS:

##### I. Proofs of Identity: -

- a) Passport (OVD)
- b) Pan Card (OVD)
- c) Voter' s Identity Card (OVD)
- d) Driving License (OVD)
- e) Photo Credit Card
- f) Defence ID Card (OVD)
- g) Central & State Govt ID Card (OVD)
- h) Aadhaar Card (OVD)
- i) Letter issued by a Gazetted officer, with a duly attested photograph of person (OVD) (should be a photo ID)
- j) Job card issued by NREGA duly signed by an Officer of State Government (OVD)

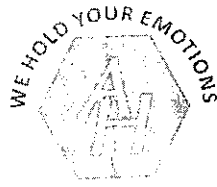
\*Note: PAN or form 60 in lieu of PAN

##### II. Proofs of Residence: -

- a) Passport (OVD)
- b) Property or Municipal Tax Paid Receipt (OVD)
- c) Bank Account or Post Office savings bank account Statement (OVD)
- d) Letter from any recognized public authority.
- e) Telephone bill / Post-paid Mobile phone bill / Electricity bill /
- f) Water Bill / Piped gas bill not more than 3 months old (OVD)
- g) Aadhaar Card (OVD)
- h) Ration Card
- i) Letter from employer (Subject to the satisfaction of the Company)
- j) Copy of agreement to sale / sale deed
- k) Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. (OVD – only for address purpose)
- l) Voter' s ID card (OVD)



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**IN CASE OF PRIVATE/PUBLIC LIMITED COMPANIES/LLPS:**

**Mandatory documents –**

**One (1) certified copy of each of the following documents needs to be obtained:**

- a) Certificate of incorporation
- b) Memorandum & Articles of Association
- c) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf.
- d) Officially valid documents (OVDs) in respect of managers, officers or employees holding an attorney to transact on its behalf.
- e) \*PAN card

*\*Note: PAN or form 60 in lieu of PAN and Aadhaar of the Directors, KMPs, Partners, or persons holding an attorney to transact the business on behalf of entity.*

**Additional / Optional documents:**

- f) Certificate / registration document issued by Sales Tax / GST / Professional Tax authorities
- g) Copy of the utility bill (not more than two months old)/ Copy of PAN allotment letter for address proof
- h) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document.

**IN CASE OF PARTNERSHIP FIRMS:**

**Mandatory documents –**

**One (1) certified copy of each of the following documents needs to be obtained:**

- a) Registration certificate, if registered
- b) \*PAN card
- c) Partnership deed
- d) Officially valid documents (OVDs) in respect of the person holding an attorney to transact on its behalf.

*\*Note: PAN or form 60 in lieu of PAN and Aadhaar of the Partners, or persons holding an attorney to transact the business on behalf of entity.*

**Additional / Optional documents:**

- e) Certificate / registration document issued by Sales Tax / GST / Professional Tax authorities
- f) Copy of the utility bill (not more than two months old)/ Copy of PAN allotment letter for address proof
- g) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document.

**IN CASE OF TRUSTS:**

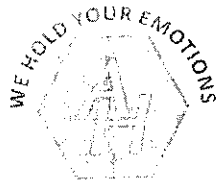
**Mandatory documents –**

**One (1) certified copy of each of the following documents needs to be obtained:**

- a) Registration certificate
- b) Trust deed

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- c) Officially valid documents (OVDs) in respect of the person holding a power of attorney or of any Trustee(s) to transact on its behalf
- d) \*PAN card

\*Note: PAN or form 60 in lieu of PAN and Aadhaar of the Partners, or persons holding an attorney to transact the business on behalf of entity.

**Additional / Optional documents:**

- e) Certificate / registration document issued by Sales Tax / GST / Professional Tax authorities
- f) Copy of the utility bill (not more than two months old)/ Copy of PAN allotment letter for address proof

**IN CASE OF UNINCORPORATED ASSOCIATIONS (\*\*): (Association of Persons and Body of Individuals)**

**Mandatory documents –**

**One (1) certified copy of each of the following documents needs to be obtained:**

- a) resolution of the managing body of such association or body of individuals;
- b) power of attorney granted to transact on its behalf;
- c) Officially valid documents (OVDs) in respect of the person holding an attorney to transact on its behalf and
- d) Any such information as may be required by COMPANY to collectively establish the legal existence of such an association or body of individuals.
- e) \*PAN card

\*Note: PAN or form 60 in lieu of PAN and Aadhaar of the Partners, or persons holding an attorney to transact the business on behalf of entity.

**Additional / Optional documents:**

- f) Certificate / registration document issued by Sales Tax / GST / Professional Tax authorities
- g) Copy of the utility bill (not more than two months old)/ Copy of PAN allotment letter for address proof

**\*\*Explanation 1:**

Unregistered trusts/ partnership firms to be included under the term 'unincorporated association'.

**Explanation 2:**

Term 'body of individuals' include societies.

**IN CASE OF JURIDICAL PERSONS SPECIFICALLY NOT COVERED IN THE EARLIER PART, SUCH AS GOVERNMENT OR ITS DEPARTMENTS, SOCIETIES, UNIVERSITIES AND LOCAL BODIES LIKE VILLAGE PANCHAYATS:**

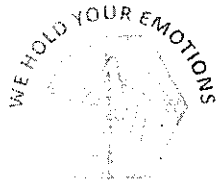


**Mandatory documents –**

**One (1) certified copy of each of the following documents needs to be obtained:**

- a) Document showing name of the person authorised to act on behalf of the entity;
- b) Officially valid documents (OVDs) for proof of identity and address in respect of the person holding an attorney to transact on its behalf, and
- c) Such documents as may be required by COMPANY to establish the legal existence of such an entity/juridical person.

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**Additional / Optional documents:**

- d) Certificate / registration document issued by Sales Tax / GST / Professional Tax authorities
- e) Copy of the utility bill (not more than two months old) / Copy of PAN allotment letter for address proof

**ANNEXURE III**

**A. Broad categories of reason for suspicion and examples of suspicious transactions for Non-Banking Financial Companies are indicated as under:**

**Identity of client:**

- a) False identification documents
- b) Identification documents which could not be verified within reasonable time
- c) Accounts opened with names very close to other established business entities

**Background of client:**

- a) Suspicious background or links with known criminals

**Multiple accounts:**

- a) Large number of accounts having a common account holder, introducer or authorized signatory with no rationale

**Activity in accounts:**

- a) Unusual activity compared with past transactions

**Nature of transactions:**

- a) Unusual or unjustified complexity
- b) Involves proceeds of a criminal / illegal activity, regardless of the value involved
- c) No economic rationale or bona-fide purpose
- d) Frequent purchases of drafts or other negotiable instruments with cash
- e) Nature of transactions inconsistent with what would be expected from declared business
- f) Reasonable ground of suspicion that it may involve financing of activities relating to terrorism and/or account holder / beneficial owner linked or related to terrorist, terrorist organization or those who finance or attempt to finance terrorist activities.

**Value of transactions:**

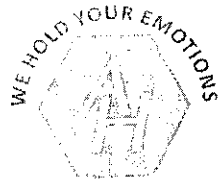
- a) Value just under the reporting threshold amount in an apparent attempt to avoid reporting
- b) Value inconsistent with the client's apparent financial standing

**B. Illustrative list of Suspicious Transactions:**

- a) Reluctant to part with information, data and documents
- b) Submission of false documents, purpose of loan and detail of accounts
- c) Reluctance to furnish details of source of funds of initial contribution
- d) Reluctance to meet in person, representing through power of attorney
- e) Approaching a distant branch away from own address
- f) Maintaining multiple accounts without explanation
- g) Payment of initial contribution through unrelated third-party account

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- h) Suggesting dubious means for sanction of loan
- i) Where transactions do not make economic sense
- j) Where there is doubt about the beneficial ownership of a person
- k) Encashment of loan through a fictitious bank account
- l) Sale consideration quoted higher or lower than prevailing area prices
- m) Request for payment in favour of third party with no relation to transaction
- n) Usage of loan amount for purposes other than stipulated in connivance with vendors, or agent
- o) Frequent request for change of address
- p) Overpayment of instalments with a request to refund the overpaid amount
- q) Approvals/sanctions from authorities are proved to be fake
- r) Overpayment of instalments with a request to refund the overpaid amount



\*\*\*

For ARNOLD HOLDINGS LTD

*[Signature]*  
Director/Authorised Signatory