

# **Yunus Social Business Fund Bengaluru Private Limited**

## **PMLA and KYC Policy**

(Revised Version approved by the  
Board of Directors on 28<sup>th</sup> November 2024)

# **PMLA (Prevention of Money Laundering Activities) and KYC (Know Your Customer) Policy.**

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## **1. INTRODUCTION**

### **1.1 COMPANY**

Yunus Social Business Fund Bengaluru Private Limited (YSBFB) was incorporated in 2016. It subsequently received a Type I Non-Banking Financial Company (NBFC) license from the Reserve Bank of India (RBI) on February 9, 2017, categorized as a Non-Systemically Important Loan Company. In November 2019, the Company upgraded its license to a Type II NBFC. As per the latest RBI scale based regulations, YSBFB is currently categorized as an NBFC-ICC-BL (Non-Banking Financial Company-Investment & Credit Company-Base Layer). The Company primarily raises capital through equity and debt financing from domestic and foreign institutions. It does not accept public deposits.

YSBFB is inspired by Nobel Laureate Prof. Muhammad Yunus's Social Business Philosophy. A social business is one with a social mission at its core, and 100% dedicated to solving human problems. A social business either creates income for the poor or provides them with essential products and services like healthcare, safe water or clean energy. They operate exactly like normal companies except for a few small differences: i) the primary aim of Social Business is to solve a social problem; ii) unlike a charity, a social business generates profit and reinvests these profits back into generating impact; iii) a social business aims to be financially self-sustaining.

We aim to achieve this through providing patient finance to businesses that are driven by ambitious local entrepreneurs with a strong focus on solving social / environmental problems with sustainable business principles and creating impact.

### **1.2 VISION**

YSBFB's vision is to have a "World of Three Zeroes" i.e.

- Zero Poverty;
- Zero Unemployment;
- Zero Net Carbon Emissions

### **1.3 MISSION**

YSBFB's purpose is to harness the power of business to end poverty and the climate crisis.

### **1.4 LEGAL**

Reserve Bank of India (RBI) on February 25, 2016 (bearing ref no. RBI/DBR/2015-16/18 DBR.AML.BC. No.81/14.01.001/2015-16) notified the Know your customer (KYC) Directions, 2016 (KYC Directions, 2016), inter alia, directing that every Regulated Entity shall have a Know your customer (KYC) Policy duly approved by the Board of Directors. 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.

Yunus Social Business Fund Bengaluru is categorized as NBFC-ICC-BL (Non-Banking Financial Company-Investment & Credit Company-Base Layer). Accordingly, the following KYC Policy has been adopted by the Board.

## 1.5 OBJECTIVE:

The objective of PMLA & KYC policy is to prevent the YSBFB from being used, intentionally or unintentionally, by any anti-social elements or criminal elements for money laundering activities.

The specific objectives of this policy is to clearly lay out the following.

- a) Customer acceptance policy;
- b) Risk Management policy;
- c) Customer Identification process; and
- d) Monitoring of transactions

with a view to: -

- a) 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 (CDD) based on the risk factor associated with each customer;
- b) have in place a system of assessing and monitoring the risk factors associated with each customer;
- c) 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 YSBFB 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) 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;

## 2. DEFINITIONS:

- i) "Aadhaar number" shall have the meaning assigned to it in clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016);
- ii) "Beneficial Owner (BO)" shall have the meaning as defined under the RBI Directions.
- iii) "Certified Copy" shall have the meaning as defined under the RBI Directions.
- iv) "Designated Director" has the meaning as defined under RBI Directions.
- v) "Officially Valid Documents" or "OVDs" means the passport, the driving licence, proof of possession of Aadhaar number, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of

name and address including such other amendments as may be made to RBI Directions, from time to time.

- vi) "RBI Directions" means provisions which are applicable to the Company under RBI Master Directions - Know Your Customer Directions, 2016, or such other Circulars, Notifications or guidelines issued by RBI from time to time about AML / KYC requirements.
- vii) "Politically Exposed Persons" (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States / Governments, senior politicians, senior government / judicial / military officers, senior executives of state-owned corporations, important political party officials, etc.
- viii) "Principal Officer" has the meaning as defined under RBI Directions.
- ix) "Suspicious Transaction" means the 'transaction' as defined under the RBI Directions.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Act, Rules and RBI Directions, as the case may be.

### 3. CUSTOMER ACCEPTANCE POLICY (CAP)

Customers who are acceptable to YSBFB as per the Risk categorization should fulfil all criteria related to submission of ID and address proofs as Officially Valid Documents (OVD) as defined by RBI from time to time and more specifically stated under the Customer Identification Procedure in the table given in the Customer Due Diligence Process.

Without prejudice to the generality of the aspect that Customer Acceptance Policy may contain, YSBFB shall ensure that

- (a) No account is opened in anonymous or fictitious/benami name.
- (b) No account is opened where the YSBFB is unable to apply appropriate CDD (Customer Due Diligence) measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.
- (c) No transaction or account-based relationship is undertaken without following the CDD procedure.
- (d) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- (e) 'Optional' /additional information, is obtained with the explicit consent of the customer after the account is opened.
- (f) If an existing KYC compliant customer of a YSBFB desires to open another account with the YSBFB, there shall be no need for a fresh CDD exercise.
- (g) CDD Procedure is followed for all the joint account holders, while opening a joint account.
- (h) Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- (i) 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.
- j) Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.

(k) Where an equivalent e-document is obtained from the customer, YSBFB shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).

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 YSBFB 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 (Suspicious Transaction Report) with FIU-IND.

#### 4. RISK MANAGEMENT:

Risk categorization of customers shall be undertaken on the basis of various factors, such as nature of employment, business activity of the customer, location of customer and his/its clients, mode of payments, volume of turnover, social / financial status and credit history. YSBFB may at its discretion identify additional factors that it may wish to utilize for customer acceptance based on risk profile determined by YSBFB.

The YSBFB may categorize its customers into 'Low Risk / Medium Risk / High Risk' based on the following guidelines:

**Low Risk:** Individuals whose identities and sources of income can be easily identified and transactions in whose accounts by and large conform to the known profile. People belonging to the Bottom of the Pyramid of the society and low-income households involved in business activities and services which are visible, verifiable and have limited turnover, daily wage earners employed in agriculture and unorganised sectors, industrial workers, domestic servant maids and salaried employees whose salary structures and place of employment are well defined and the businesses whose sources of income can be easily identified and who have structured turnover, a strong credit history and profile, regular turnover, and the transactions in whose accounts by and large conform to the known profile fall in this category.

**Medium Risk:** Individuals whose identities cannot be easily ascertained, have no documents to provide with respect to their current place of residence, sources of income are difficult to assess, and the living conditions of the family is beyond the visible sources of income and the businesses that have a sound business and profitable track record for a reasonable time period, and a relatively stable social and financial status shall fall in this category.

**High Risk:** Non-resident customers, high net worth individuals, trusts, charities, NGOs and organizations receiving donations, companies having close family shareholding or beneficial ownership, firms with 'sleeping partners', politically exposed persons (PEPs) of foreign origin, customers who are close relatives of PEPs and accounts of which a PEP is the ultimate beneficial owner, non-face to face customers and those with dubious reputation as per public information available etc., and the businesses that do not have a profitable track record, have uncertain cash flows and questionable business model sustainability shall fall in this category.

The YSBFB may devise procedures for creating risk profiles of its existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a financial transaction or a business relationship. The YSBFB'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 compliance in this regard is being and will continue to be put up before the committees of Board on a periodical basis

## 5. CUSTOMER IDENTIFICATION PROCESS:

As stated in the Customer Acceptance Policy, YSBFB 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.

### 5.1 PHYSICAL CUSTOMER DUE DILIGENCE

One or more of the following valid self-attested documents may be called for from the customers as OVD, containing details of proof of their identity and address. Both Photo ID and address proof should be verified with the original by the authorized officials of YSBFB and for having verified with the original, the authorized official also will sign in the self attested document given by the customer and put the YSBFB seal.

#### i. In case of Individuals:

**Identity Proof:** (Self-attested copy of one of the following)

- Aadhaar card
- Passport
- Driving Licence
- Income Tax PAN Card
- Voter's Identity card
- The KYC identifier with an explicit consent to download records from CKYCR.

**Residence proof:** (Self-attested copy of one of the following)

- Utility bill (Latest\* Telephone/Post-paid mobile/Electricity bill). \*which is not more than two months old.
- Property or Municipal tax receipt
- Bank account or post office savings bank account statement.
- Passport
- Driving Licence
- Voter's Identity card
- Aadhaar card.

#### ii. In case of Non-individuals: (As applicable)

**Identity and Residence proof:** (Self-attested copy of one of the following).

- Income Tax PAN Card
- Incorporation Certificate & Memorandum & Articles of Association (Registration Certificate & Deed, in case of Partnership firm/Trust)
- GST registration / Shops & Establishment Certificate, as applicable
- List of Directors/Partners/Trustees along with their OVDs as above.
- Latest shareholding pattern, along with the list of major shareholders having more than 10% of holding, in case of company.
- List of Beneficial Owners along with their OVDs as above.
- Such other document(s) as may be deemed necessary by YSBFB/required under the RBI directions.

In addition to verification through one or more of the above said documents, the YSBFB may also call for suitable introduction by a person known to the YSBFB.

### **5.1.1 EXEMPTIONS ON IDENTIFYING BENEFICIAL OWNERS**

YSBFB recognizes situations where identifying and verifying beneficial owners is not mandatory. These exemptions simplify compliance while ensuring adherence to regulations.

#### **a) Exemptions for Certain Entities**

Beneficial owner identification is not required if the customer or controlling interest is listed on a recognized stock exchange in India, listed on stock exchanges in Central Government-notified jurisdictions, or is a subsidiary of such listed entities. These entities are already subject to regulatory disclosures, reducing the need for additional verification.

#### **b) Trusts, Nominee, or Fiduciary Accounts**

For trust or fiduciary accounts, YSBFB will determine if the customer is acting on behalf of someone else. In such cases, evidence of the intermediaries' identities, the people they represent, and the nature of the arrangement will be collected. Trust deeds and Officially Valid Documents (OVDs) for trustees, nominees, and beneficiaries will be required. Enhanced due diligence will apply to high-risk accounts, including closer transaction monitoring.

#### **c) Exceptions and Reporting Obligations**

YSBFB may deny or terminate relationships if sufficient evidence is not provided. Suspicious activities will be reported to FIU-IND, ensuring compliance with AML/CFT laws.

### **5.1.2 ACCOUNTS OF POLITICALLY EXPOSED PERSONS (PEPS)**

YSBFB recognizes the heightened risk associated with Politically Exposed Persons (PEPs) due to their position of influence and the potential for misuse of their accounts. The following guidelines govern the onboarding and management of accounts related to PEPs, their family members, and close associates, in line with the RBI KYC Master Directions:

#### **a) Definition of PEPs**

Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions by a foreign country. This includes Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations, and important political party officials. Family members and close associates of PEPs are also covered under this policy.

#### **b) Guidelines for PEP Accounts**

**i. Risk Assessment:**

YSBFB shall implement risk management systems to determine if a customer or beneficial owner qualifies as a PEP, including family members or close associates.

**ii. Source of Funds and Wealth:**

Reasonable measures shall be taken to establish and document the source of funds and wealth of PEPs to ensure legitimacy.

**iii. Senior Management Approval:**

Approval from senior management is mandatory before establishing a business relationship with a PEP or continuing an existing relationship if the customer or beneficial owner is identified as a PEP.

**iv. Enhanced Monitoring:**

All accounts associated with PEPs shall be subjected to enhanced monitoring on an ongoing basis to detect unusual or suspicious transaction patterns.

**v. Existing Customers Becoming PEPs:**

If an existing customer or the beneficial owner of an account becomes a PEP during the course of the relationship, senior management approval shall be obtained to continue the business relationship.

**vi. Applicability to Family Members and Close Associates**

The above instructions shall also apply to the family members and close associates of PEPs to ensure comprehensive risk management and compliance.

YSBFB is committed to implementing these measures diligently to mitigate risks associated with PEPs while ensuring compliance with regulatory requirements.

## 5.2 TECHNOLOGY AND DIGITAL KYC

YSBFB may implement robust digital KYC procedures, including Video-based Customer Identification Process (V-CIP). All digital KYC processes shall comply with data security standards outlined in the Information Technology Act, 2000. Measures shall be taken to ensure the authenticity of documents and real-time verification to prevent fraud.

## 5.3 CKYCR MODE OF CDD

The **Central KYC Records Registry (CKYCR)** is a centralized repository established by the Government of India to streamline the KYC process and eliminate the need for repetitive submission of KYC documents across financial institutions. This mode is particularly efficient for ensuring compliance with KYC norms while reducing duplication.

Under the CKYCR-based CDD process, the customer's KYC Identifier (KYCI) is obtained and verified through the CKYCR portal managed by CERSAI. The existing KYC record is fetched, validated against the customer's provided information, and used if complete and up-to-date. If any discrepancies or updates are required, the necessary supporting documents (such as Aadhaar, Passport, PAN, or address proof) are collected, verified, and uploaded to CKYCR within 10 days of establishing an account-based relationship. For new

customers, complete KYC details are collected and uploaded directly. Periodic reviews ensure the KYC records remain accurate, and the process eliminates repetitive document submissions, streamlining compliance while maintaining robust customer verification.

## **6. MONITORING OF TRANSACTIONS:**

The YSBFB normally does not and would not have large cash transactions. However, if and when cash transactions are undertaken, the YSBFB will keep proper record of all such cash transactions in a separate register maintained at its office.

The YSBFB 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.

YSBFB 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. The extent of monitoring shall be aligned with the risk category of the customer.

## **7. PERIODIC UPDATION:**

Based on the risk profile of a client, clients shall be asked to update his/her KYC documents periodically:

- a) Low risk: Once in every 10 years.
- b) Medium risk: Once in every 8 years
- c) High Risk: Once in every 2 years.

### **a) Individual Customers:**

- i) No change in KYC information: In case of no change in the KYC information, a self-declaration from the customer in this regard shall be obtained through customer's email-id registered with the YSBFB or customer's mobile number registered with the YSBFB or through a letter etc.
- ii) Change in address: In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer's email-id registered with the YSBFB, or customer's mobile number registered with the YSBFB, or through a letter etc., and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, etc. Further, YSBFB, may obtain a copy of the following OVD or deemed OVD or the equivalent e-documents (deemed to be OVDs for the limited purpose of proof of address) i. Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill.
- iii) Property or Municipal tax receipt.

### **b) Customers other than Individuals:**

- i) No change in KYC information: In case of no change in the KYC information of the legal entity customer, a self-declaration in this regard shall be obtained from the Legal entity customer through its email id / mobile no registered with the YSBFB or through a letter from an official authorized by the Legal entity in this regard, board resolution etc. Further, YSBFB shall ensure during this process that Beneficial Ownership (BO) information available with them is accurate and shall update the same, if required, to keep it as up-to-date as possible.
- ii) Change in KYC information: In case of change in KYC information, YSBFB shall undertake the KYC process equivalent to that applicable for onboarding a new Non-individual customer.

#### **8. INFORMATION OBTAINED FROM THE CUSTOMERS:**

- a) Additionally, the information sought from each customer should be relevant to the risk perceived in respect of that particular customer, should not be intrusive and should be in line with the guidelines issued by the RBI in that behalf.
- b) The YSBFB has the unlimited right to use any non-confidential information, such as names of borrowers and employees, a description of the business, data on social and other impact, and other general information about the borrower, as well as photos and pictures of the borrower for communicational purposes on the Company's websites, printed material, presentations, announcements and other communications.

#### **9. RECORD MANAGEMENT:**

YSBFB shall take steps in the direction of maintenance and preservation of the records pertaining to KYC and transactions for the time duration of 10 years for KYC-related and transaction-related documents as prescribed by RBI.

#### **10. REPORTING REQUIREMENTS TO FINANCIAL INTELLIGENCE UNIT-INDIA (FIU-IND)**

YSBFB will comply with the reporting requirements outlined in the PML (Maintenance of Records) Rules, 2005, and as directed by the Financial Intelligence Unit-India (FIU-IND). The following measures will be implemented:

##### **a) Reporting Obligations**

YSBFB will furnish information as required under Rule 3 of the PML Rules to the Director, FIU-IND, in accordance with the prescribed timelines and formats. The reports include:

- **Cash Transaction Reports (CTR)**
- **Suspicious Transaction Reports (STR)**

Any delay in reporting or rectifying misrepresented transactions beyond the specified time will be treated as a separate violation.

##### **b) Tools and Utilities**

YSBFB will utilize the reporting formats, Report Generation Utility, and Report Validation Utility provided by FIU-IND on their website (<http://fiuindia.gov.in>).

**c) Confidentiality**

All information furnished to FIU-IND, including the maintenance of records, will be treated as confidential. This confidentiality requirement will not hinder the sharing of insights regarding unusual transactions as per regulatory guidelines.

**11. REPORTING WITH CENTRAL KYC RECORDS REGISTRY (CKYCR):**

- a) Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015.
- b) In terms of provision of Rule 9(1A) of PML Rules, the YSBFB shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.
- c) YSBFB shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as per the KYC templates prepared for 'Individuals' and 'Legal Entities' (LEs), as the case may be. The templates may be revised from time to time, as may be required and released by CERSAI.

**12. SECRECY OBLIGATIONS:**

- a) YSBFB shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the YSBFB and customer.
- b) Information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.
- c) While considering the requests for data/information from Government and other agencies, YSBFB shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in the financial transactions.
- d) The exceptions to the said rule shall be as under:
  - i. Where disclosure is under compulsion of law;
  - ii. Where there is a duty to the public to disclose;
  - iii. the interest of YSBFB requires disclosure and;
  - iv. Where the disclosure is made with the express or implied consent of the customer.
- e) NBFCs shall maintain confidentiality of information as provided in Section 45NB of RBI Act 1934.

### 13. MONEY LAUNDERING AND TERRORIST FINANCING RISK ASSESSMENT BY YSBFB:

#### a) Risk Assessment:

- i) **Periodic Assessment:** YSBFB shall conduct periodic Money Laundering (ML) and Terrorist Financing (TF) Risk Assessments to identify, assess, and mitigate risks associated with clients, countries, products, services, transactions, and delivery channels.
- ii) **Risk Factor Consideration:** The assessment process must consider relevant risk factors to determine the overall risk level and appropriate mitigation measures. YSBFB shall also consider sector-specific vulnerabilities shared by regulators/supervisors.
- iii) **Documentation and Proportionality:** The risk assessment should be well-documented and proportionate to YSBFB's size, geographical presence, complexity, and activities. The Board or a designated committee shall determine the assessment frequency, considering risk levels and regulatory requirements. Annual reviews are mandatory.
- iv) **Board Oversight:** The outcome of the risk assessment must be presented to the Board or a designated committee and shared with competent authorities and self-regulatory bodies.

#### b) Risk-Based Approach (RBA):

- i) **Risk Mitigation and Management:** YSBFB shall implement a RBA to mitigate and manage identified ML/TF risks, supported by Board-approved policies, controls, and procedures.
- ii) **Customer Due Diligence (CDD):** YSBFB shall implement a CDD program tailored to the identified risks and business size.
- iii) **Monitoring and Enhancement:** YSBFB must monitor the effectiveness of controls and enhance them as needed to address evolving risks.

### 14. COMPLIANCE WITH INTERNATIONAL SANCTIONS

YSBFB is committed to complying with international agreements and sanctions as per the RBI KYC Master Directions and applicable laws, including the Unlawful Activities (Prevention) Act, 1967 (UAPA), and the Weapons of Mass Destruction (WMD) Act, 2005.

The company will ensure that no accounts are maintained for individuals or entities listed in the UNSC Sanctions Lists or other designated lists, such as the ISIL (Da'esh) & Al-Qaida Sanctions List and the Taliban Sanctions List.

#### Lists to be Checked Daily by YSBFB

As per the RBI KYC Master Directions, the following lists must be verified daily by Regulated Entities (REs) for meticulous compliance:

#### a) ISIL (Da'esh) & Al-Qaida Sanctions List:

- i. Established under UNSC Resolutions 1267/1989/2253.
- ii. Available at: <https://scsanctions.un.org/ohz5jen-al-qaida.html>.

#### b) Taliban Sanctions List:

- i. Established under UNSC Resolution 1988 (2011).

- ii. Available at: <https://scsanctions.un.org/3ppp1en-taliban.htm>.
- c) **UNSCR 1718 Sanctions List:**
  - i. Related to the Democratic People's Republic of Korea (DPRK).
  - ii. Available at: <https://www.mea.gov.in/Implementation-of-UNSC-Sanctions-DPRK.htm>.
- d) **Schedules under the Prevention and Suppression of Terrorism Order, 2007:**
  - i. Lists included in this Order, as amended periodically.
- e) **FATF Statements:**
  - i. Identifying jurisdictions that do not or insufficiently apply FATF Recommendations.
  - ii. Special attention is required for transactions involving these jurisdictions.
- f) **Lists in the First Schedule and Fourth Schedule of UAPA, 1967:**
  - i. As amended from time to time, these schedules include designated individuals/entities linked to terrorism or unlawful activities.

YSBFB must ensure timely updates to account for any additions, deletions, or changes to these lists. Any matches identified must be reported promptly to FIU-IND and other relevant authorities, and freezing or other mandated actions must be taken without delay.

These lists will be verified daily, and any matches will be reported promptly to FIU-IND and relevant authorities, with asset-freezing actions implemented as required under the law.

YSBFB will also conduct enhanced due diligence for customers and transactions from high-risk jurisdictions identified by FATF, ensuring closer monitoring and reporting of suspicious activities.

## 15. COMPLIANCE OF KYC POLICY

### a) **Senior Management Oversight:**

Senior Management for the purpose of KYC compliance shall include members of the executive leadership team responsible for strategic and operational oversight. Specifically, this includes the CEO and Compliance Officer. These individuals will oversee the effective implementation of KYC policies and ensure regulatory adherence.

### b) **Responsibility Allocation:**

The Senior Management shall be responsible for the **effective implementation** of KYC policies and procedures which will ensure accountability and clarity in managing KYC/AML compliance across all operational areas.

### c) **Independent Evaluation:**

An **independent evaluation** of the company's KYC compliance functions shall be conducted at least annually. This evaluation will include:

- i) Assessing adherence to internal policies and procedures
- ii) Verifying compliance with **legal** and **regulatory requirements**

### d) **Concurrent/Internal Audit:**

- i) A robust **concurrent/internal audit system** shall be established to verify ongoing compliance with KYC and Anti-Money Laundering (AML) policies.
- ii) The audit process will:
  - a. Evaluate the effectiveness of KYC controls
  - b. Identify potential areas of improvement
  - c. Ensure timely corrective action for any discrepancies identified

**e) Reporting and Oversight:**

**Quarterly audit reports** and compliance findings will be submitted to the **Board of Directors**. These reports will provide insights into the effectiveness of KYC measures and highlight any areas requiring attention or improvement.

**f) In-House Compliance Decision-Making:**

The company shall ensure that **decision-making functions** related to KYC compliance are not outsourced. All critical decisions regarding adherence to KYC norms will be made internally by the designated authorities within the company.

**16. OTHER REQUIREMENTS:**

All other requirements under PML/FIU-India 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 will be complied with in terms of the direction of the RBI or the other authorities to the extent applicable to YSBFB.

**17. EMPLOYEE SCREENING, TRAINING, AND DEVELOPMENT**

YSBFB is committed to maintaining high standards of integrity and competence in its workforce, particularly for employees involved in KYC/AML/CFT activities. The following measures will be adopted to ensure effective implementation of the KYC/AML/CFT policy:

**a) Employee Screening and Recruitment**

YSBFB will implement a robust screening mechanism, including a Know Your Employee (KYE) policy (included in the Employee Handbook), as an integral part of the recruitment and hiring process. This mechanism will ensure that personnel involved in KYC/AML/CFT activities meet high standards of integrity, ethical behavior, and professionalism.

**b) Employee Training Program**

YSBFB will establish an ongoing training program to ensure that all employees are adequately trained in KYC/AML/CFT policies and regulations. The training will be tailored based on the roles and responsibilities of the employees:

- i. **Frontline Staff:** Special focus on customer interaction, addressing issues due to lack of customer education, and basic KYC compliance requirements.

- ii. **Compliance Staff:** In-depth training on regulatory requirements, risk management, and monitoring frameworks.
- iii. **Audit Staff:** Training on evaluating KYC/AML/CFT compliance and ensuring adherence to policies and regulations.

YSBFB will promote a culture of integrity, ethical conduct, and open communication among employees, ensuring that audit and compliance functions are adequately staffed with trained personnel. These measures aim to strengthen YSBFB's capacity to mitigate financial risks and maintain regulatory compliance.

**18. DISCLOSURE ON THE WEBSITE:**

The details of PMLA and KYC policy shall be disclosed by the YSBFB in its website.

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