121 FINANCE PRIVATE LIMITED

KNOW YOUR CUSTOMER (KYC) AND ANTI-MONEY LAUNDERING (AML) POLICY

Approved by the Board of Directors on
5th January 2026

<u>Compliance Department</u>

1. INTRODUCTION

This Know Your Customer ("KYC") and Anti-Money Laundering ("AML") Policy ("Policy") is framed in accordance with:

- Reserve Bank of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025
- Reserve Bank of India (Non-Banking Financial Companies – Know Your Customer) Amendment Directions, 2025
- Prevention of Money Laundering Act, 2002 ("PMLA");
- Prevention of Money Laundering (Maintenance of Records) Rules, 2005;
- RBI guidelines on Digital KYC, Video-based Customer Identification Process (V-CIP), and Customer Due Diligence (CDD).

This Policy lays down the framework adopted by the Company for:

- Customer Acceptance;
- Customer Identification and Verification;
- Risk Categorization;
- Ongoing Due Diligence;
- AML/CFT compliance;
- Record maintenance and monitoring.

The Policy applies to all products, channels, customer onboarding journeys, and branches/offices of the Company.

2. OBJECTIVE

The objective of this Policy is to:

- Prevent the Company from being used for money laundering, terrorist financing, fraud, or other unlawful activities;
- Ensure compliance with RBI KYC Directions and applicable AML laws;
- Establish a robust customer identification and verification framework;
- Define standards for digital onboarding, offline onboarding, and enhanced due diligence;
- Ensure risk-based customer monitoring.

3. APPLICABILITY

This Policy shall apply to:

- Customers;
- Borrowers;
- Co-borrowers;
- Guarantors;

- Proprietors;
- Partnership firms;
- LLPs;
- Companies;
- Authorized signatories;
- Beneficial owners;

4. CUSTOMER PROFILE

The Company primarily caters to business customers including:

- Sole Proprietorships;
- Partnership Firms;
- Limited Liability Partnerships (LLPs);
- Private/Public Limited Companies;
- MSMEs and commercial entities.

Customers are sourced majorly through direct sourcing and offline business references. The Company also provides digital lending integrations through digital onboarding journeys.

5. CUSTOMER ACCEPTANCE POLICY (CAP)

The Company shall ensure that:

- No anonymous or fictitious accounts are opened;
- No customer relationship is established where the Company is unable to complete Customer Due Diligence (CDD);
- Customer onboarding is subject to satisfactory KYC verification and internal approval;
- Customers are accepted only after assessment of customer profile, business activity, source of funds, and risk categorization.
- No account-based relationship or transaction shall be permitted until Customer Due Diligence (CDD) is completed in accordance with RBI Directions.

The Company reserves the right to reject onboarding where:

- KYC documents are incomplete;
- Identity cannot be verified satisfactorily;
- AML/PEP alerts are adverse;
- Customers are suspected of fraudulent or suspicious activity.

6. CUSTOMER IDENTIFICATION PROCEDURES (CIP)

The Company follows both Digital KYC and Offline KYC processes depending on customer type, onboarding mode, and operational feasibility.

6.1 Digital KYC Framework

The Company has developed in-house digital KYC journeys integrated with:

- CKYC;
- DigiLocker;
- Video KYC (V-CIP/VKYC);
- Geo-location capture;
- AML/FIU/PEP screening systems.

All digital KYC records are stored within the Company's Loan Management System (LMS) and are subject to maker-checker / approval workflows prior to account creation.

6.1.1 Individual Customers (Including Proprietors, Co-borrowers and Guarantors)

The Company's Digital KYC application is capable of conducting Face-to-Face (F2F) KYC through:

- CKYC retrieval;
- DigiLocker document fetching;
- Video CIP (VKYC/V-CIP).

The onboarding process includes:

- PAN verification;
- OVD verification;
- Live customer photograph;
- Geo-tagging/location capture;
- Liveness checks;
- PEP declaration;
- AML/FIU/PEP screening.

The Company may rely upon CKYC records where permitted under RBI guidelines.

6.2 Sole Proprietorship Entities

For sole proprietorship concerns, the Company follows a digital onboarding journey involving collection and verification of:

- PAN of proprietor;
- GST Registration Certificate;
- Udyam Registration Certificate (where applicable);
- Latest address proof such as:
  - Bank Statement; or

- o Utility Bill.

Additionally:

- Proprietor KYC is conducted as individual KYC;
- Beneficial ownership is identified;
- Business proof and activity verification are undertaken.

6.3 Partnership Firms / LLPs / Companies

For Partnership Firms, LLPs, and Companies, the Company currently follows an offline KYC process in accordance with RBI KYC Directions.

The Company collects documents as applicable including:

- PAN;
- Certificate of Incorporation/Registration;
- Partnership Deed / LLP Agreement / MOA & AOA;
- GST Certificate;
- Board Resolution / Authority Letter;
- KYC of authorised signatories as Individual KYC;
- Beneficial Owner identification documents;
- Proof of business address.

List of Documents ("LOD") shall be maintained in accordance with RBI Master Directions and updated periodically.

7. OFFLINE KYC PROCESS

Where Digital KYC is not feasible or cannot be completed successfully, the Company follows Offline KYC procedures as per RBI guidelines.

The offline process includes:

- Customer visit to Company office/location; or
- Visit by an authorised company representative to customer premises.

The Company to follow:

- Original Seen and Verified (OSV) process;
- Physical verification of documents;
- Photograph;
- Verification of customer identity and address.

All verified copies are appropriately stamped/signed as "OSV" by the authorized company representative.

Where Aadhaar number is collected as an OVD or officially permitted document, the Company shall ensure masking of the first eight digits in accordance with applicable law

8. DIGITAL LENDING CUSTOMER ONBOARDING

For digital lending integrations, the Company operates two onboarding journeys:

8.1 Non-Face-to-Face (Non-F2F) Journey

Applicable where:

- Loan amount is below ₹60,000; and
- Aggregate disbursed amount to customer till date remains below ₹60,000.

The Non-F2F process includes:

- CKYC verification;
- DigiLocker integration;
- PAN verification;
- Geo-location capture;
- PEP declaration;
- AML/FIU/PEP screening;
- Additional checks as deemed necessary.

8.2 Face-to-Face (F2F) Journey

Applicable where:

- Loan amount exceeds ₹60,000; or
- Aggregate disbursed exposure exceeds prescribed threshold.

The Company conducts:

- Video KYC (V-CIP/VKYC*) wherever applicable;
- Live interaction and liveness verification;
- Identity verification through CKYC/DigiLocker;
- Geo-location verification;
- Photograph capture.

*V-CIP Process should have

- Consent capture;
- End-to-end encrypted recording;
- GPS/geotagging within India;
- Live photograph;
- Randomized questions;
- Liveness detection;
- Officially Valid Document verification;
- Concurrent audit;
- Preservation of recordings.

9. Beneficial Ownership (BO)

The Company shall identify and verify Beneficial Owners in accordance with RBI KYC Directions and PMLA Rules.

Beneficial ownership shall be determined for:

- Partnership Firms;
- LLPs;
- Companies;
- Trusts;

The Company shall obtain:

- Ownership structure;
- Control structure;
- KYC documents of beneficial owners.

BO identification thresholds:

Company → >10% controlling ownership;

Partnership → >10% ownership/capital/profits;

10. Politically Exposed Persons (PEP)

The Company obtains PEP declaration from individuals during onboarding.
Additionally, all customers are screened through AML/PEP monitoring software.
Where a customer is identified as a PEP:

- Enhanced Due Diligence (EDD) shall be carried out;
- Senior management approval shall be obtained prior to onboarding;
- Source of funds/business activity may be verified additionally;
- Enhanced transaction monitoring may be conducted.

11. AML / SANCTIONS / FIU SCREENING

The Company uses AML screening software to conduct checks against:

- AML databases;
- FIU alerts;
- PEP databases;
- Sanctions/watchlists;
- Negative media, where available.

The Company shall appoint:

- A Designated Director under PMLA provisions; and
- A Principal Officer responsible for monitoring and reporting suspicious transactions and ensuring AML compliance.

Any adverse match shall be reviewed by Compliance prior to onboarding or continuation of relationship.
AML checks should be performed once a year.

12. RISK CATEGORIZATION

Customers shall be categorized into:

- Low Risk;
- Medium Risk;
- High Risk.

Risk categorization shall be based on:

- PEP Status – If PEP is YES then marking high risk
- Mode of onboarding – If F2F then low, if non-F2F then high risk
- Adverse media/; If adverse media reports are identified then High else Low.

The Company may apply Enhanced Due Diligence (EDD) for high-risk customers.

13. ONGOING DUE DILIGENCE AND MONITORING

The Company shall conduct ongoing monitoring of customer relationships and transactions to ensure consistency with:

- Customer profile;
- Nature of business;
- Expected activity.

Suspicious transactions or unusual activities shall be escalated to Compliance for review and reporting to FIU, where applicable.
Periodic KYC updating shall be carried out in accordance with RBI requirements.
Periodic KYC updating timelines:

- High risk → every 2 years;
- Medium risk → every 8 years;
- Low risk → every 10 years.

14. RECORD RETENTION

The Company shall maintain:

- Customer identification records;
- Account files;
- Business correspondence;
- Transaction records;
- Digital KYC records;
- V-CIP recordings;

for the period prescribed under applicable laws and RBI Directions.
Digital records shall be securely stored and retrievable. Data residency for all digital records storage- the location should be INDIA only.

15. EMPLOYEE TRAINING AND INTERNAL CONTROLS

The Company shall ensure:

- Periodic employee training on KYC/AML obligations;
- Proper maker-checker controls;
- Access controls for KYC systems;
- Audit trails for digital onboarding;

16. REPORTING OF SUSPICIOUS TRANSACTIONS

The Company shall report suspicious transactions to the Financial Intelligence Unit – India (FIU-IND) in accordance with applicable laws and regulatory requirements.
Employees shall immediately escalate suspicious activities to the Compliance function.

17. REGULATORY COMPLIANCE

This Policy shall be reviewed periodically and updated in line with:

- RBI Master Directions;
- PMLA requirements;
- FIU guidelines;
- Digital lending guidelines;
- Regulatory amendments.

18. REVIEW POLICY

Annually, or earlier if required by the Board of Directors or due to any change in applicable law, RBI directions, business model or other regulatory directions.

ANNEXURE – INDICATIVE KYC DOCUMENTS

A. Individuals

- Individual KYC Form
- PAN
- Masked Aadhaar /OVD
- Photograph
- Address proof
- CKYC/DigiLocker records
- PEP Declaration

B. Sole Proprietorship

- Proprietor PAN
- GST Certificate
- Udyam Certificate
- Bank Statement/Utility Bill
- Business proof

C. Partnership Firms

- PAN
- Partnership Deed
- GST Registration Certificate
- Address proof
- Authorized Signatory KYC
- Declaration of Principal Place of Business
- List of Partners and profit-sharing ratio

D. LLPs

- PAN
- LLP Agreement
- Certificate of Incorporation
- GST Registration Certificate
- Address proof
- Authorized Signatory KYC
- Declaration of Principal Place of Business
- List of Partners and profit-sharing ratio

E. Companies

- Business KYC Form
- PAN
- Certificate of Incorporation
- MOA & AOA
- Board Resolution
- Authorized Signatory KYC
- Beneficial Owner KYC documents
- List of directors with share holding pattern
- Declaration of Principal Place of Business

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