

Niro – Anti-Money Laundering Measures Policy

The Reserve Bank of India (RBI) has issued comprehensive 'Know Your Customer' (KYC) Guidelines in the context of the recommendations made by the Financial Action Task Force (FATF) and Anti Money Laundering (AML) standards and Combating Financing of Terrorism (CFT) policies, as these are being used as the International Benchmark for framing the stated policies, by the regulatory authorities.

QFI Technologies Private Limited, operating its business under the brand Niro ("the **Company**" or "**Niro**"), even though not an NBFC, voluntarily acknowledges the same and operates in alignment of these principles so laid out and has ensured that a proper policy framework on KYC and AML measures is formulated and put in place through this Anti-Money Laundering Measures Policy ("**Policy**").

This Policy may be updated from time to time, and the updated version of the Policy will be immediately made available on Niro's website www.niro.money. You should review this Policy regularly for changes.

OBJECTIVES:

- To prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities.
- To know and understand its customers and its financial dealings better which in turn will help it to manage its risks prudently.
- To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.

DEFINITION OF CUSTOMER:

A person or entity that has a business relationship with the Company as a borrower or a stakeholder or a customer on the Company's platform or any person on whose behalf such business relationship with the Company is entered into.

KEY ELEMENTS OF THE POLICY:

1. CUSTOMER ACCEPTANCE POLICY (CAP):

- No account with Niro (including loan account) is to be opened in anonymous or fictitious/benami name(s)/entity(ies).

- KYC norms and processes to be followed for each customer; without which loan is not to be disbursed. KYC of all customers shall be conducted to *inter alia* ensure that the identity of the customer does not match with any person with known criminal background or any person who appears on the Sanctions Target.
- Customer details to be specified in the mandatory KYC information required by Niro and the customer must submit all such information to Niro.
- Optional or additional information, which has not been specified in the mandatory KYC information, to be taken only after explicit approval of the customer.
- Any individual acting on behalf of an entity to have the proper authority to represent the entity.
- In the case of any body corporate or other association or partnership or trust being a potential borrower, Niro may require details of the ultimate beneficial owner
- No account shall be opened where the partner banks, NBFCs & financial institutions ("FIs") are unable to apply appropriate customer due diligence measures, i.e., the FIs is unable to verify the identity and /or obtain required documents either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer. The FIs may also consider closing an existing account under similar circumstances.
- Applicants to be checked against relevant published databases like credit bureau verification, wilful defaulters list, RBI's sanctions list, terrorist organizations, and other such relevant databases as per the policy prescribed by the lender, and Niro to ensure that the identity of the customer does not match with any person or entity, whose name appears in the aforesaid sanctions lists.

2. CUSTOMER IDENTIFICATION PROCEDURES (CIP)

- Customer identification means identifying the customer and verifying his/her identity and address by using reliable, independent source documents, data or information.
- Customer Identification Procedure will be carried out at different stages as follows:

A. While establishing a relationship

- (i) For customers that are natural persons, sufficient identification data to verify the identity of the customer, his address/location and also his selfie verification.
- (ii) For customers that are legal persons or entities, the legal status of the legal person/entity should be verified through proper and relevant documents. For any person purporting to act on behalf of the legal person/entity, it has to be verified whether he is so authorized and his identification has to be verified.
- (iii) If the document provided establishes both identity and address then additional documentary proof will not be required to be collected

B. When there is a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data, Niro may further demand data as follows:

- (i) For customers that are natural persons, additional information pertaining to employment status/ place of employment etc.

- (ii) If current and permanent address is different and proof for the current address has been provided, a self-declaration of the permanent address will be acceptable
- (iii) In case of absence of address proof, address may be verified by positive confirmation such as geographical ping on the location or physical verification via an appointed third-party agent on the place of residence as provided by the customer.

C. Change of address:

- (i) The customer should file a fresh proof of address within six months of making any changes to the address mentioned as per the 'proof of address' submitted by it.

3. RISK MANAGEMENT

- Niro will conduct due diligence of the profile of the applicant as per norms of the Company before extending credit product offers on behalf of the FI's. The customer profile shall contain the information relating to the customer's identity, social/financial status, nature of business activity, information about his customers' business and their location, etc. to the extent applicable & relevant to the product the customer is taking from Niro. The nature and extent of due diligence will depend on the risk perceived by Niro. However, while preparing customer profile, the Company shall seek only such information from the customer which is relevant to the risk category and is not intrusive. Any information that Niro collects is done so on behalf of the partner financial institutions and is considered confidential and such information shall not be divulged for cross selling or for any other purposes.

Customers shall be categorized based on perceived risk broadly into three categories - A, B & C. The list of type of customers under each category mentioned below is illustrative (based on the RBI guidelines) and not exhaustive. Category A includes high risk customers, Category B contain medium risk customers while Category C customers include low risk. None of the customers will be exempted from Niro's KYC procedure, irrespective of the status and relationship with Niro or its promoters. The above requirement may be moderated according to the risk perception.

High Risk – (Category A):

High risk customers typically include:

- Politically exposed persons (PEPs) of Indian/ foreign origin
- Non-face-to-face customers
- Person with dubious reputation as per public information available.
- Non - resident customers
- High net worth individuals ("HNIs") without an occupation track record of more than 3 years

- Trust, charitable organizations, non govt. organization (NGO), organizations receiving donations
- Companies having close family shareholding or beneficial ownership
- Firms with sleeping partners

Medium Risk – (Category B):

Medium risk customers will include:

- Salaried applicant with variable income/ unstructured income receiving salary in cheque
- Salaried applicant working with Private Limited Companies, Proprietary, Partnership firms
- Self- employed professionals other than HNIs
- Self-employed customers with sound business and profitable track record for a reasonable period
- HNIs with occupation track record of more than 3 years

Low Risk – (Category C):

Low risk individuals (other than high net worth) and entities whose identities and sources of wealth can be easily identified and all other person not covered under above two categories. Customer carrying low risk may include the following:

- Salaried employees with well-defined salary structures
- People working with government owned companies, regulators and statutory bodies, etc.
- People belonging to lower economic strata of the society whose accounts show small balances and low turnover
- People working with Public Sector Units
- People working with reputed Public Limited Companies and Multinational Companies
- Self-Employed professionals and non-professionals with low business turnover

In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, the Company will obtain senior management approval in such cases to continue the business relationship with such person, and also undertake enhanced monitoring as indicated and specified in Annexure I.

- The company may review the risk categorization of all customers once every six months – as at March 31st and September 30th – within 30 days.
- Periodic updation of KYC documentation may be carried out at least once in every two years for High-Risk customers, once in every eight years for Medium Risk customers and once in

every ten years for Low Risk customers. For Low-Risk customers, fresh documentation shall not be sought if there has not been any change in the details.

- Further, the Company may make available the facility of periodic updation of KYC at its branch offices, if any. Further, the Company may, as and when determined by the Company, require the Customer to provide the Company with a recent photograph of the Company and / or require the physical presence of the Customer, for the purpose of KYC updation.

4. MONITORING OF TRANSACTIONS

- Niro relies on its partner FIs for ongoing monitoring of transactions. The extent of monitoring will be conducted taking into consideration the risk profile and risk sensitivity of the customers and any abnormal transaction will be probed.
- Cash payments are largely avoided and repayments are collected via NACH from the customer's bank account
- In case of Bounce, a cash payment may be collected if none of the digital method is feasible at the time of collection. In case this becomes a routine practice for a particular customer, the same shall be reported to the lender for guidance on further course of action.
- Niro will ensure non-usage, directly or indirectly, the proceeds received under any of the fund-raising agreements, for the purpose of, or with the effect of, funding or facilitating any activities or business of or with any person that is, at the time of such funding or facilitation, a Sanctions Target, or in any other manner that would result in a violation of any provision of Anti-Money Laundering Laws and other applicable Laws and Regulations.
- Sanctions Target shall include any person, who at the time of funding or facilitation, is identified in any sanctions list maintained by (i) the United States Department of Treasury, OFAC, the United States Department of Commerce, Bureau of Industry and Security, or the United States Department of State; (ii) the United Nations Security Council's ISIL (Da'esh) & Al-Qaida Sanctions List; (iii) the European Union; (iv) HM Treasury of the United Kingdom; (v) the 1988 Sanctions List; or (v) a person with whom dealings are restricted or prohibited by applicable sanction laws and regulations; (b) or any person located, organized, or resident in, a country or territory with which dealings are restricted or prohibited by applicable Sanctions Laws and Regulations; and (c) any person directly or indirectly controlled by, or acting for the benefit or on behalf of, a Person described in (a) or (b).

5. TRAINING PROGRAMME

- Niro shall have trainings on KYC for all relevant employees at the time of induction and also at regular intervals so that the employee are adequately trained. Training requirements shall have different focuses for front line employees, compliance employees and officer employees dealing with new customers so that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

- Niro shall have adequate screening mechanism, including Know Your Employee / Staff policy, as an integral part of its personnel recruitment/hiring process.

6. INTERNAL CONTROL SYSTEMS

- Niro will ensure that necessary control mechanism will be built in the technology/ software packages to prevent the use of the technology for money laundering purposes.
- Niro's internal audit and compliance functions, where relevant, will evaluate and ensure adherence to the KYC policies and procedures. As a general rule, the compliance function will provide an independent evaluation of Niro's own policies and procedures, including legal and regulatory requirements. Internal auditors will review the application of KYC procedures & comment on the lapses observed in this regard. The compliance status in this regard, where applicable, shall be put up before the Board or any committee of the Board along with their normal reporting frequency.

7. RECORD KEEPING

- For both customers who are natural personal and customers who are legal entities, Niro maintains records of all transactions, along with KYC details, as required under the applicable laws. Niro also relies on its FIs who undertake the actual loan disbursement to maintain accurate records.
- The Company may, if required by its FIs, obtain a copy of an officially valid document ("OVD") or deemed OVD, or the equivalent e-documents thereof, for the purpose of proof of address, declared by the customer at the time of periodic updation.

8. APPOINTMENT OF COMPLIANCE OFFICER AND PRINCIPAL OFFICER

- The senior management of the Company, including the Compliance Officer and the Principal Officer shall ensure the Company and its employees comply with this Policy.
- The details of Compliance Officer for the purpose of this Policy are as under:
 - Name: Aditya Kumar
 - Designation: Co-Founder & Chief Executive Officer
- Mr. Sankalp Mathur, Co-Founder & Chief Risk Officer will be Principal Officer of the Company to coordinate the implementation of KYC norms in the Niro.
- The Compliance Officer and Principal Officer is authorized to fix the accountability for serious lapses and intentional circumvention of prescribed procedures and guidelines, in consultation with the CEO of the Company.

9. REPORTING

- For customers that are natural persons and who have borrower applicant relationship with Niro, Niro relies on its partner financial institutions to be fully compliant and hence does not take on any reporting obligations. For customers who are legal persons or entities, Niro

will follow the rules laid down by the law or as prescribed by the financial institution for reporting of any suspicious activities.

10. Sensitizing Customers

- Niro may prepare specific literature/pamphlets, etc., to educate the customer regarding the objectives of the AML/CFT requirements for which their cooperation is solicited.

11. Introduction of new technologies

- Niro shall pay special attention to any money laundering threats that may arise from new or developing technologies including online transactions that may favour anonymity, and take measures, if needed, to prevent their use in money laundering.

Annexure I

CUSTOMER IDENTIFICATION REQUIREMENTS

(INDICATIVE GUIDELINES)

1. Accounts of Politically Exposed Persons (PEPs) resident outside India

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. Niro shall 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. Niro shall verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The decision to provide financial services to an account for PEP shall be taken at a senior management level and shall be subjected to monitoring on an ongoing basis. The above norms may also be applied to the accounts of the family members or close relatives of PEPs or where PEP is the beneficial owner. In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, Niro shall take the approval of the senior management for continuing the business relationship with the PEP.

2. Accounts of non-face-to-face customers

In the case of non-face-to-face customers, apart from applying the usual customer due diligence procedures, there must be specific and adequate procedures to mitigate the higher risk involved. Certification of all the documents presented may be insisted upon and, if necessary, additional documents may be called for. The Company shall ensure that the first payment is to be affected through the customer's KYC-complied account with another company, for enhanced due diligence of non-face to face customers.

3. Trust/Nominee or Fiduciary Accounts

Niro shall 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.

Niro shall 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 shall be identified when they are defined. In the case of a 'foundation', branches shall 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.

4. Accounts of companies and firms

Niro need to be vigilant against business entities being used by individuals as a front for maintaining accounts with its partnered FIs. Niro 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.

5. Identification of Beneficial Owner

For opening an account of a legal person who is not a natural person, the beneficial owner(s) shall be identified and all reasonable steps in terms of Rule 9(3) of the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time. The verification of the identity shall be undertaken keeping in view the following:

- (a) Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.
- (b) In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.