

HMT FINANCE PRIVATE LIMITED

Know Your Customer (KYC) and Anti-Money Laundering (AML) Policy

(In accordance with RBI Master Direction – Know Your Customer (KYC) Direction, 2016, as amended from time to time)

1. INTRODUCTION

HMT Finance Private Limited (“Company” or “HMT Finance”) is a Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India (“RBI”) under Certificate of Registration No. B-10.00324. The Company is categorised as a Base Layer, Non-Deposit Taking, Non-Systemically Important NBFC under the Scale Based Regulatory Framework (“SBR Framework”) issued by RBI.

2. REGULATORY REQUIREMENT

As advised by the Reserve Bank of India (RBI), all the NBFCs are required to ensure that a proper policy framework on Know Your Customer and Anti Money Laundering measures is formulated and put in place with approval of the Board. This policy lays down the systems and procedures to help the company in controlling financial frauds, identifying money laundering and suspicious transactions, combating financing of terrorism and careful scrutiny/ monitoring of large value of cash transactions. Pursuant to advice from the RBI, a Know Your Customer and Anti Money Laundering Policy (the Policy) was put in place with approval of the Board on May 20, 2020.

3. OBJECTIVE

This Policy aims to ensure that HMT Finance Private Limited (“the Company”) complies with the requirements of the Reserve Bank of India (RBI) Master Direction – KYC Direction, 2016, the Prevention of Money Laundering Act (PMLA), 2002, and associated rules and guidelines.

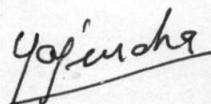
The objectives of this Policy are:

- To prevent the Company from being used, directly or indirectly, for money laundering or terrorist financing activities.
- To establish a robust system for verifying and maintaining customer identity.
- To monitor transactions for detecting and reporting suspicious activities.
- To promote ethical and compliant business conduct in all operations.
- To enable the Company to manage the risks prudently by setting the guidelines to know/understand the customers and their financial dealings better.
- To develop measures for conducting due diligence in respect of customers and reporting of such transactions.

4. REGULATORY FRAMEWORK

This Policy is framed in accordance with:

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- RBI Master Direction – Know Your Customer (KYC) Direction, 2016 (as amended)
- Prevention of Money Laundering Act, 2002 and PML Rules, 2005
- Financial Intelligence Unit – India (FIU-IND) guidelines
- RBI circulars and notifications issued from time to time

5. SCOPE

This Policy applies to:

- All customers, borrowers, and guarantors of HMT Finance Pvt. Ltd.
- All employees, intermediaries, and agents engaged in sourcing or processing customers.
- All branches, offices, and digital platforms of the Company.

6. KEY ELEMENTS

The Company's KYC & AML Policy rests on the following pillars:

1. Customer Acceptance Policy (CAP)
2. Customer Identification Procedures (CIP)
3. Customer Due Diligence (CDD)
4. Risk Categorization
5. Ongoing Monitoring of Transactions
6. AML Measures and Reporting
7. Record Management
8. Employee Training and Awareness

PART A - KYC FRAMEWORK

7. CUSTOMER ACCEPTANCE POLICY (CAP)

While dealing with the customers in the initial phase and before accepting them, the company shall follow robust procedure as laid down below in order to prevent any type of fraud or risk :-

- No account shall be opened in anonymous or fictitious names and customers should be accepted only after following Customer Identification Procedures for verifying their identity.
- Accounts shall be opened only after completion of Customer Due Diligence (CDD) and risk assessment. In case, there is any kind of non-cooperation on part of customer or any non-reliability of the documents/information as furnished by the customer is found by the company, no account shall be opened.
- The Company shall not open or maintain accounts where it is unable to apply appropriate due diligence measures.
- Introduction of customers shall not be accepted in lieu of full verification.
- The Company will lay down the document requirements and other information to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the guidelines issued by Reserve Bank of India from time to time.
- Enhanced due diligence shall apply for high-risk customers and politically exposed persons (PEPs).
- The Company shall not enter into or continue business relationships with shell banks.

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8. Customer Identification Procedure (CIP)

- The company shall identify the customer and verifying his/ her identity by using reliable independent sources of documents, data or information to ensure that the customer is not a fictitious person.
- The Company shall verify the customer's identity and address using Officially Valid Documents (OVDs) as defined under PML Rules.
- For every customer, PAN/Aadhaar, proof of address, and photograph shall be obtained.
- Where e-KYC or Aadhaar authentication is used, it shall comply with UIDAI and RBI regulations.

9. Customer Due Diligence (CDD)

For undertaking CDD, following documents shall be obtained: -

- Proof of identity and address via OVDs.
- PAN/Form 60.
- Photograph and personal details.
- Some examples of customer requiring low level, medium level and high level of due diligence are listed below: -

I. Lower Due Diligence

- ❖ Salaried individuals with stable and well-defined income structures.
- ❖ Individuals employed with government-owned entities, regulators, and statutory bodies.
- ❖ Individuals belonging to lower economic strata whose accounts reflect small balances and low transaction volumes.
- ❖ Employees of Public Sector Undertakings (PSUs).
- ❖ Employees of reputed public limited companies and multinational corporations (MNCs).

II. Medium Due Diligence

- ❖ Salaried applicants with variable or unstructured income, including those receiving salary through cheque or other non-standard modes.
- ❖ Salaried applicants employed with private limited companies engaged in activities such as travel services, telemarketing, internet cafés, and International Direct Dialling (IDD) services.
- ❖ Companies with closely held shareholding or concentrated beneficial ownership.

III. Higher Due Diligence

- ❖ Non-resident customers
- ❖ High Net-Worth Individuals (HNIs).
- ❖ Trusts, charities, NGOs, and organisations receiving donations or grants.

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- ❖ Firms with dormant or “sleeping” partners.
- ❖ Politically Exposed Persons (PEPs), including foreign PEPs.
- ❖ Non face-to-face customers.
- ❖ Customers with adverse or negative reputation based on publicly available information.
- ❖ Customers undertaking transactions in unusual or complex circumstances, including significant and unexplained geographic distance between the customer and the Company, or frequent and unexplained movement of accounts across institutions.
- ❖ Entities engaged in gambling or gaming activities, including junket operators.
- ❖ Jewellers and bullion dealers

10. Procedure For Risk Categorization

(a) The Board of Directors of HMT has put in place a robust and effective Know Your Customer (KYC) framework and ensures continuous oversight of its implementation. The framework encompasses appropriate management supervision, internal systems and controls, segregation of duties, staff training, and other related governance measures. Clear roles and responsibilities have been defined to ensure effective and consistent implementation of KYC policies and procedures across the organisation.

(b) Customers are classified into low, medium, and high-risk categories based on HMT’s risk assessment and overall risk perception of the customer.

(c) HMT has laid down broad principles for customer risk categorisation, aligned with its internal risk management framework and applicable regulatory requirements.

(d) Customer risk categorisation is carried out considering multiple parameters, including but not limited to the customer’s identity, social and financial profile, nature and scale of business activities, business location, geographical risk relating to customers and transactions, types of products and services availed, delivery channels used, and the nature of transactions undertaken (such as cash transactions, cheque or monetary instruments, wire transfers, and foreign exchange transactions). While assessing customer identity, the ability to verify identity documents through online or other verification services provided by issuing authorities is also taken into account.

(e) The assigned risk category of a customer, along with the rationale for such classification, is treated as confidential information and is not disclosed to the customer, so as to prevent any potential tipping-off.

(f) HMT has ensured that personnel across Sales, Operations, and Credit functions are adequately sensitised and trained, and that no loan account is opened unless KYC requirements are fully complied with in all respects.

11. Ongoing Monitoring of Transactions

To ensure the company understands the normal and reasonable activity of the Customer so that they have the means of identifying transactions that fall outside the regular pattern of activity to enable it to effectively control and reduce the risk, ongoing monitoring is an

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essential element of effective KYC procedures

- Continuous monitoring shall be carried out to ensure that transactions are consistent with customer profile and declared source of income.
- Unusual or inconsistent transactions shall trigger alerts and internal review.
- Periodic review of risk categorization shall be undertaken at least once in every six months.
- KYC updation shall be carried out periodically:
 - High-risk: every 2 years
 - Medium-risk: every 8 years
 - Low-risk: every 10 years

PART B – ANTI-MONEY LAUNDERING (AML) MEASURES

12. AML Objectives

- To prevent money laundering and terrorist financing through the Company's operations.
- To detect and report suspicious transactions to the appropriate authorities.
- To ensure complete compliance with PMLA and FIU-IND reporting obligations.

13. AML Risk Assessment

The Company shall identify and assess ML/TF risk across:

- Customer profiles
- Geographic location
- Products and services offered
- Delivery channels (branch, online, intermediary)

A risk-based approach (RBA) shall be adopted to allocate resources effectively.

14. Monitoring and Reporting Mechanism

- All transactions shall be monitored using automated systems to detect suspicious patterns.
- Internal alerts shall be reviewed by the **Principal Officer (PO)**.
- Suspicious Transaction Reports (STRs), Cash Transaction Reports (CTRs), and other prescribed reports shall be filed with **FIU-IND** within the statutory timelines.
- **No tipping off** shall be done to customers about any such reports.

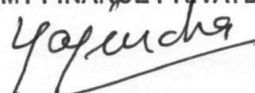
15. Enhanced Due Diligence (EDD)

EDD shall be carried out for:

- Politically Exposed Persons (PEPs) and their family members.
- Non-resident customers.
- High-value or complex transactions without clear economic rationale.
- Customers from countries identified by FATF as high-risk.

EDD includes:

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- Senior management approval before onboarding.
- Verification of source of wealth/funds.
- Closer ongoing monitoring of transactions.

16. Appointment of Compliance Officers

Designated Director: Mr. Anil Gupta, Director of the company has been appointed as the Designated Director of the company who shall be responsible for overall PMLA compliance and oversight.

Principal Officer (PO): Mr. Mukesh Ray, Accounts head of the company has been appointed as the Principal Officer of the company, who shall be responsible for monitoring, reporting, and liaison with FIU-IND.

Their contact details shall be communicated to FIU-IND and updated as required.

17. Record Management

- Customer identification and transaction records shall be maintained for five years from the end of the business relationship.
- Records shall include identification data, account files, and transaction details.
- All records shall be made available promptly to competent authorities upon request.

18. Employee Training

- Regular AML/KYC training shall be provided to all employees, especially those involved in operations, credit, and front-line functions.
- Training shall cover red flags for suspicious activity, documentation requirements, and reporting procedures.

19. Customer Education

The Company shall educate customers about:

- The need for accurate KYC information.
- Legal obligations related to money laundering and terrorist financing.
- The Company's commitment to ethical and transparent practices.

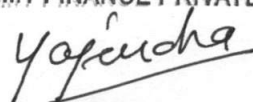
20. Policy Review

This Policy shall be reviewed half yearly or whenever changes are made to the RBI Directions or PMLA requirements. All amendments shall be approved by the Board of Directors.

21. Effective Date

This KYC and AML Policy has been approved by the Board of Directors of HMT Finance Private Limited on 20th May 2020 and is effective from that date.

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Director