

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

**OF**

**FINOVA CAPITAL PRIVATE  
LIMITED**

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**FINOVA CAPITAL PRIVATE LIMITED**

**CIN: U65993RJ2015PTC048340**

Regd. Office: 702, 7<sup>th</sup> Floor, Unique Aspire, Plot No. 13-14 Cosmo Colony, Amrapali Marg, Vaishali Nagar, Jaipur -302021

Corp. Office: 4<sup>th</sup> Floor, Unique Aspire, Plot No. 13-14 Cosmo Colony, Amrapali Marg, Vaishali Nagar, Jaipur -302021

Tel. No. 0141-4118202 Website: [www.finova.in](http://www.finova.in) Email Id: [info@finova.in](mailto:info@finova.in)

## KYC & AML POLICY

### Introduction and Purpose

Prevention of Money Laundering Act, enacted by the Parliament in 2002, makes it obligatory for all the financial intermediaries like banks, financial institutions, Non Banking Financial Companies (NBFCs), etc. to follow 'Know Your Customer' norms which basically define the customer identification process. As per the KYC principles, intermediaries have to collect documents known as KYC documents before entering into any transaction with the customers. The KYC process includes making reasonable efforts to determine true identity and beneficial ownership of accounts, source of funds, nature of customer's business, reasonableness of operations in the account visa-versa customer's business/income profile etc.

The KYC requirement is applicable to all categories of customers transacting with any financial intermediary.

### Objective

The objective of KYC process is to prevent financial intermediaries being used, intentionally or unintentionally by criminal elements for money laundering to fund various illegal activities including global terrorism. The KYC process has become the utmost need of the hour for all financial intermediaries in wake of fast spreading money-laundering menace across the globe.

In consonance with the applicable requirement of RBI vide Master Direction - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016 (Master Direction DBR.AML.BC.No.81/14.01.001/2015-16), as updated from time to time, Finova Capital Pvt Ltd (FINOVA) has framed its KYC policy incorporating the following four key elements:

-  Customer Acceptance Policy;
-  Customer Identification Procedures;
-  Monitoring of Transactions; and
-  Risk management.

### Definitions

In these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:

- a) Terms bearing meaning assigned in terms of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005:
1. "**Aadhaar number**" means an identification number as defined under sub section (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, henceforth the 'Aadhaar Act' as amended from time to time, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force;

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2. **"Act" and "Rules"** means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto including any statutory modification(s) or re-enactment(s) thereof, for the time being in force;
3. **"Authentication"** means the process as defined under sub-section (c) of section 2 of the Aadhaar Act;
4. **"Beneficial Owner (BO)":**

(a) Where the customer is a company	<p>The BO is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have a controlling ownership interest or who exercise control through other means.</p> <p>For the purpose of this sub-clause:-</p> <p><b>"Controlling ownership interest"</b> means ownership of/entitlement to more than 25% of the shares or capital or profits of the company.</p> <p><b>"Control"</b> 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.</p>
b) Where the customer is a partnership firm	<p>The BO is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership off entitlement to more than 15% of capital or profits of the partnership.</p>
<p>c) Where the customer is an Unincorporated Association or Body of Individuals</p> <p>(Term 'Body of Individuals' includes Societies)</p>	<p>I. The BO is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership off entitlement to more than 15% of the property or capital or profits of the Unincorporated Association or Body of Individuals.</p>
<p>Where no natural person is identified under (a), (b) or (c) above, the BO is the relevant natural person who holds the position of Senior Managing Official.</p>	

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d) Where the customer is a trust	The identification of BO shall 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.
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5. **“Certified Copy”** - Obtaining a certified copy by the FINOVA shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid document so produced by the customer with the original and recording the same on the copy by the authorized officer of the company as per the provisions contained in the Act. Provided that in case of Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs), as defined in Foreign Exchange Management (Deposit) Regulations, 2016 [FEMA 5(R)], alternatively, the original certified copy, certified by any one of the following, may be obtained:
- Authorized officials of overseas branches of Scheduled Commercial Banks registered in India,
  - branches of overseas banks with whom Indian banks have relationships,
  - Notary Public abroad
  - Court Magistrate
  - Judge,
  - Indian Embassy/Consulate General in the country where the non-resident customer resides
6. **“Customer”**: For the purpose of KYC policy, a “Customer” will be defined as:
- A person or entity that maintains an account and/or has a business relationship with the Company.
  - One on whose behalf the account is maintained (i.e. the beneficial owner);
  - Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Chartered Accountants, Company Secretaries, Solicitors etc. as permitted under the law, and
  - Any person or entity connected with a financial transaction which can pose significant reputation or other risks to the Company, say a wire transfer or issue of a high value demand draft as a single transaction.
7. **“Customer Due Diligence (CDD)”** means identifying and verifying the customer and the beneficial owner.
8. **“Customer identification”** means undertaking the process of CDD.
9. **“Designated Director”** means a person designated by FINOVA to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include person designated by FINOVA to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include: the Managing Director or a whole-time Director, duly authorized by the Board of Directors

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**Explanation** - For the purpose of this clause, the terms "Managing Director" and "Whole-time Director" shall have the meaning assigned to them in the Companies Act, 2013 (as amended from time to time, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force).

10. **"Digital KYC"** means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of FINOVA as per the provisions contained in the Act.

11. **"Digital Signature"** shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000(as amended from time to time, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force).

12. **"Equivalent e-document"** means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016 (as amended from time to time, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force).

13. **"Non-face-to-face customers"** means customers who open accounts without visiting the branch/offices of FINOVA or meeting the officials of FINOVA.

14. **"Officially Valid Document" (OVD)** means the passport, the driving license, 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. Provided that,

- a) where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India (UIDAI).
- b) where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents there of shall be deemed to be OVDs for the limited purpose of proof of address:-
  - utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
  - property or Municipal tax receipt
  - pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
  - letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation;

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- c) the customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'b' above;
- d) where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

**Explanation:** For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.

- 15. **"Offline verification"** shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016).
- 16. **"On-going Due Diligence"** means regular monitoring of transactions in accounts to ensure that they are consistent with the customers' profile and source of funds.
- 17. **"Person"** has the same meaning as defined in the Act and 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 anyone of the above persons (a to e),
  - g. and any agency, office or branch owned or controlled by any of the above persons (a to f)
- 18. **"Periodic Updation"** means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the Reserve Bank.
- 19. **"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.
- 20. **"Principal Officer"** means "Principal Officer" nominated by FINOVA, responsible for furnishing information as per rule 8 of the Rules
- 21. **"Suspicious Transaction"** means defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith:
  - a. gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
  - b. appears to be made in circumstances of unusual or unjustified complexity; or
  - c. appears to not have economic rationale or bona-fide purpose; or d. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

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**Explanation:** Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.

22. **"Transaction"** means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:
- a. opening of an account;
  - b. deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
  - c. the use of a safety deposit box or any other form of safe deposit;
  - d. entering into any fiduciary relationship;
  - e. any payment made or received, in whole or in part, for any contractual or other legal obligation; or
  - f. establishing or creating a legal person or legal arrangement.
23. **"Video based Customer Identification Process (V-CIP)"**: an alternate method of customer identification with facial recognition and customer due diligence by an authorised official of the Company by undertaking seamless, secure, live, informed-consent based audio-visual interaction with the customer to obtain identification information required for CDD purpose, and to ascertain the veracity of the information furnished by the customer through independent verification and maintaining audit trail of the process. Such processes complying with prescribed standards and procedures shall be treated on par with face-to-face CIP for the purpose of this Master Direction.
24. **"Common Reporting Standards"** (CRS) means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters.
25. **"Customer"** means a person who is engaged in a financial transaction or activity with a Regulated Entity (RE) and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
26. **"Walk-in Customer"** means a person who does not have an account-based relationship with the Company, but undertakes transactions with the Company.
27. **Customer Due Diligence (CDD)"** means identifying and verifying the customer and the beneficial owner.
28. **"Customer identification"** means undertaking the process of CDD.
29. **"FATCA"** means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.

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30. **“IGA”** means Inter Governmental Agreement between the Governments of India and the USA to improve international tax compliance and to implement FATCA of the USA.
31. **“KYC Templates”** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
32. **“Non-face-to-face customers”** means customers who open accounts without visiting the branch/offices of the REs or meeting the officials of REs.
33. **“On-going Due Diligence”** means regular monitoring of transactions in accounts to ensure that they are consistent with the customers’ profile and source of funds.
34. **“Periodic Updation”** means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the Reserve Bank.
35. **“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
36. **“Shell bank”** means a bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group.
37. **“Wire transfer”** means a transaction carried out, directly or through a chain of transfers, on behalf of an originator person (both natural and legal) through a bank by electronic means with a view to making an amount of money available to a beneficiary person at a bank.
38. **“Domestic and cross-border wire transfer”**: When the originator bank and the beneficiary bank is the same person or different person located in the same country, such a transaction is a domestic wire transfer, and if the ‘originator bank’ or ‘beneficiary bank’ is located in different countries such a transaction is cross-border wire transfer

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Reserve Bank of India Act, 1935, the Prevention of Money Laundering Act, 2002, the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 and regulations made thereunder, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

#### **Money Laundering and Terrorist Financing Risk Assessment by FINOVA:**

- a) FINOVA shall carry out ‘Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment’ exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc.

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- b) The assessment process should consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. While preparing the internal risk assessment, FINOVA shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with FINOVA from time to time.
- c) The risk assessment by the FINOVA shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of the FINOVA. Further, the periodicity of risk assessment exercise shall be determined by the Board of the FINOVA, in alignment with the outcome of the risk assessment exercise. However, it should be reviewed at least annually.
- d) The outcome of the exercise shall be put up to the Board or any committee of the Board to which power in this regard has been delegated, and should be available to competent authorities and self-regulating bodies.

FINOVA shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and should have Board approved policies, controls and procedures in this regard. Further, FINOVA shall monitor the implementation of the controls and enhance them if necessary.

**Designated Director:**

- a. A "Designated Director" means a person designated by the FINOVA to ensure overall compliance with the obligations imposed under Chapter IV of PML Act and nominated by the Board of the FINOVA
- b. The name, designation and address of the Designated Director, including changes from time to time, shall be communicated to the Director, FIU-IND.
- c. In no case, the 'Principal Officer' shall be nominated as the 'Designated Director'.

**Principal Officer:**

- a. FINOVA shall appoint a "Principal Officer"
- b. The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations.
- c. The name, designation and address of the Principal Officer, including changes from time to time, shall be communicated to the Director, Financial Intelligence Unit - India (FIU-IND)

**Compliance of KYC policy:**

FINOVA shall ensure compliance with KYC Policy through:

- a. specifying as to 'Senior Management' for the purpose of KYC compliance;
- b. allocation of responsibility for effective implementation of policies and procedures;
- c. independent evaluation of the compliance functions of FINOVA policies and procedures, including legal and regulatory requirements;
- d. Concurrent/internal audit system to verify the compliance with KYC/Anti-Money Laundering (AML) policies and procedures;
- e. submission of quarterly audit notes and compliance to the Audit Committee;

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FINOVA shall ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

#### **Customer Acceptance Policy (Cap)**

FINOVA shall ensure and place standard procedures on the following aspects of customer relationships in Company, without prejudice:

- a. no account is opened in anonymous or fictitious/benami name;
- b. no account is opened where the FINOVA is unable to apply appropriate CDD 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 loan account and during the periodic updation, is specified.
- e. optional additional information, is obtained with the explicit consent of the customer after the loan account is opened.
- f. FINOVA shall apply the CDD procedure at the Unique Customer Identification Code (UCIC) level. Thus, if an existing KYC compliant customer of a FINOVA desires to open another account with the FINOVA, there shall be no need for a fresh CDD exercise.
- g. CDD Procedure is followed for all the joint loan account holders, while applying in joint. h. circumstances in which, a customer is permitted to act on behalf of another person/ entity, is clearly spelt out.

#### **RISK MANAGEMENT**

For Risk Management, FINOVA shall have a risk based approach which includes the following:

- a. customers shall be categorised as low, medium and high risk category, based on the assessment and Risk perception of the company.
- b. the Risk categorisation has been 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.

FINOVA shall include the Recommendations made by the Financial Action Task Force (FATF) the reports and guidance notes on KYC/AML issued by the Indian Banks Association (IBA), guidance note circulated to all cooperative banks by the RBI etc., may also be used in risk assessment. Further, FINOVA briefly discuss Risk Categorisation of customers in its Credit Policy, approved by Board.

- c. As per KYC policy, for acceptance and identification, Company's Customers shall be categorized based on perceived risk broadly into three categories – A, B & C.

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Category A includes High Risk Customers; Category B contain Medium Risk Customers while Category C Customers include Low Risk Customers. None of the Customers will be exempted from Company's KYC procedure, irrespective of the status and relationship with Company or its Promoters. The above requirement may be moderated according to the risk perception.

**(i) High Risk – (Category A): High Risk Customers typically includes:**

- a) Non Resident Customers.
- b) NGOs and organizations receiving donations,
- c) Politically Exposed Persons (PEPs).
- d) Persons having dubious reputation as per public information available, etc.

**(ii) Medium Risk (Level II)**

- a) Salaried employees receiving in salary in cash.
- b) SENP
- c) Persons in business/industry or trading activity where the area of his residence or place of business has a scope or history of unlawful trading/business activity.
- d) Trusts, charities, etc.
- e) Private Ltd companies.

**(iii) Low Risk-(Category C):**

- a) Government Employee.
- b) Salaried Employees having salary in bank accounts.

It is important to bear in mind that the adoption of Customer Acceptance Policy and its implementation will not result in denial of FINOVA's services to the general public, especially to those who are financially or socially disadvantaged.

Further, the aforesaid categories shall be reviewed on periodic basis.

**🚦 Customer Identification Procedure (CIP)**

FINOVA while establishing a relationship; carrying out a financial transaction or when FINOVA has a doubt about the authenticity / veracity or the adequacy of the previously obtained customer identification data. Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information.

FINOVA will obtain sufficient information necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship. Being satisfied means that FINOVA must be able to satisfy the competent authorities that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place. Besides risk perception, the nature of information/documents required would also depend on the type of customer (individual, corporate etc).

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### Need for photographs:

- Passport size photographs should be obtained from borrowers, guarantors and depositors
- In the case of joint accounts, partnership accounts, accounts of Societies, clubs, HUF, Trust and those of minors etc photographs of the Authorized Signatories should be obtained;
- In case of change in the Authorized Signatories, photograph of the new signatory should be obtained duly countersigned by the competent authorities of the concerned Institution / organization;
- Where the account is operated by the letters of Authority or Power of Attorney Holder photograph of the authority holder should be obtained duly attested by the Borrower/depositor.

### Customer Due Diligence Procedure (CDD Procedure)

#### ❖ Part- I CDD Procedure in case of individuals

FINOVA shall apply the following procedure while establishing an account based relationship with an individual while establishing an account-based relationship or while dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:

- a. **the Aadhaar number** where,
  - i. he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); or
  - ii. he decides to submit his Aadhaar number voluntarily to a FINOVA notified under first proviso to sub-section (1) of section 11A of the PML Act;  
or
    - aa) the proof of possession of Aadhaar number where offline verification can be carried out; or
    - ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; and
- b. the **Permanent Account Number** or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and
- c. such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as may be required by the FINOVA

Provided that where the customer has submitted,

- i. Aadhaar number under clause (a) above to a FINOVA notified under first proviso to sub-section (1) of section 11A of the Act, FINOVA shall carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the

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Central Identities Data Repository, he may give a self-declaration to that effect to the FINOVA.

- ii. proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, the FINOVA shall carry out offline verification.
- iii. an equivalent e-document of any OVD, the FINOVA shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues thereunder and take a live photo as specified under Annex I.
- iv. any OVD or proof of possession of Aadhaar number under clause (ab) above where offline verification cannot be carried out, the FINOVA shall carry out verification through digital KYC as specified under Annex I.

Provided that for a period not beyond such date as may be notified by the Government, instead of carrying out digital KYC, the company pertaining to such class may obtain a certified copy of the proof of possession of Aadhaar number or the OVD and a recent photograph where an equivalent e-document is not submitted.

Provided further that in case e-KYC authentication cannot be performed for an individual desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, FINOVA shall, apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD or the equivalent e-document thereof from the customer. CDD done in this manner shall invariably be carried out by an official of the FINOVA and such exception handling shall also be a part of the concurrent audit as mandated in Section 8. FINOVA shall ensure to duly record the cases of exception handling in a centralised exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorising the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by FINOVA and shall be available for supervisory review.

**Explanation 1:** FINOVA shall, where its customer submits a proof of possession of Aadhaar Number containing Aadhaar Number, ensure that such customer redacts or blacks out his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required as per proviso (i) above.

**Explanation 2:** Biometric based e-KYC authentication can be done by bank official/business correspondents/business facilitators.

**Explanation 3:** The use of Aadhaar, proof of possession of Aadhaar etc., shall be in accordance with the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act, 2016 and the regulations made thereunder.

Accounts opened using OTP based e-KYC, in non-face-to-face mode, are subject to the following conditions:

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- i. there must be a specific consent from the customer for authentication through OTP.
- ii. the aggregate balance of all the deposit accounts of the customer shall not exceed rupees one lakh. In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD as mentioned at (e) below is complete.
- iii. the aggregate of all credits in a financial year, in all the deposit accounts taken together, shall not exceed rupees two lakh.
- iv. as regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.
- v. accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year unless identification as per Section 16 or as per Section 18 (V-CIP) of Master Direction is carried out. If Aadhaar details are used under Section 18, the process shall be followed in its entirety including fresh Aadhaar OTP authentication.
- vi. if the CDD procedure as mentioned above is not completed within a year, in respect of deposit accounts, the same shall be closed immediately. In respect of borrowal accounts no further debits shall be allowed.
- vii. 21A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in non-face-to-face mode with any other Regulating Entity (RE). Further, while uploading KYC information to CKYCR, FINOVA shall clearly indicate that such accounts are opened using OTP based e-KYC and other REs shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to-face mode.
- viii. FINOVA shall have strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above mentioned conditions.

**Company may undertake V-CIP to carry out:**

- i) CDD in case of new customer on-boarding for individual customers, proprietor in case of proprietorship firm, authorised signatories and Beneficial Owners (BOs) in case of Legal Entity (LE) customers. Provided that in case of CDD of a proprietorship firm, FINOVA shall also obtain the equivalent e-document of the activity proofs with respect to the proprietorship firm, as mentioned in Section 28, apart from undertaking CDD of the proprietor.
- ii) Conversion of existing accounts opened in non-face to face mode using Aadhaar OTP based e-KYC authentication as per Section 17.
- iii) Updation/Periodic updation of KYC for eligible customers.

While undertaking V-CIP, FINOVA shall adhere to the following minimum standards:

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**(a) V-CIP Infrastructure**

- i. FINOVA should have complied with the RBI guidelines on minimum baseline cyber security and resilience framework for banks, as updated from time to time as well as other general guidelines on IT risks. The technology infrastructure should be housed in own premises of FINOVA and the V-CIP connection and interaction shall necessarily originate from its own secured network domain. Any technology related outsourcing for the process should be compliant with relevant RBI guidelines.
- ii. The FINOVA shall ensure end-to-end encryption of data between customer device and the hosting point of the V-CIP application, as per appropriate encryption standards. The customer consent should be recorded in an auditable and alteration proof manner.
- iii. The V-CIP infrastructure / application should be capable of preventing connection from IP addresses outside India or from spoofed IP addresses.
- iv. The video recordings should contain the live GPS co-ordinates (geo-tagging) of the customer undertaking the V-CIP and date-time stamp. The quality of the live video in the V-CIP shall be adequate to allow identification of the customer beyond doubt.
- v. The application shall have components with face liveness / spoof detection as well as face matching technology with high degree of accuracy, even though the ultimate responsibility of any customer identification rests with FINOVA. Appropriate artificial intelligence (AI) technology can be used to ensure that the V-CIP is robust.
- vi. Based on experience of detected / attempted / 'near-miss' cases of forged identity, the technology infrastructure including application software as well as work flows shall be regularly upgraded. Any detected case of forged identity through V-CIP shall be reported as a cyber-security event under extant regulatory guidelines.
- vii. The V-CIP infrastructure shall undergo necessary tests such as Vulnerability Assessment, Penetration testing and a Security Audit to ensure its robustness and end-to-end encryption capabilities. Any critical gap reported under this process shall be mitigated before rolling out its implementation. Such tests should be conducted by suitably accredited agencies as prescribed by RBI. Such tests should also be carried out periodically in conformance to internal / regulatory guidelines.
- viii. The V-CIP application software and relevant APIs / web services shall also undergo appropriate testing of functional, performance, maintenance strength before being used in live environment. Only after closure of any critical gap found during such tests, the application should be rolled out. Such tests shall also be carried out periodically in conformity with internal/ regulatory guidelines.

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**(b) V-CIP Procedure**

- i. FINOVA shall formulate a clear work flow and standard operating procedure for V-CIP and ensure adherence to it. The V-CIP process shall be operated only by officials of the FINOVA specially trained for this purpose. The official should be capable to carry out liveness check and detect any other fraudulent manipulation or suspicious conduct of the customer and act upon it.
- ii. If there is a disruption in the V-CIP procedure, the same should be aborted and a fresh session initiated.
- iii. The sequence and/or type of questions, including those indicating the liveness of the interaction, during video interactions shall be varied in order to establish that the interactions are real-time and not pre-recorded.
- iv. Any prompting, observed at end of customer shall lead to rejection of the account opening process.
- v. The fact of the V-CIP customer being an existing or new customer, or if it relates to a case rejected earlier or if the name appearing in some negative list should be factored in at appropriate stage of work flow.
- vi. The authorised official of the FINOVA performing the V-CIP shall record audio-video as well as capture photograph of the customer present for identification and obtain the identification information using any one of the following:
  - a. OTP based Aadhaar e-KYC authentication
  - b. Offline Verification of Aadhaar for identification
  - c. KYC records downloaded from CKYCR, in accordance with Section 57, using the KYC identifier provided by the customer
  - d. Equivalent e-document of Officially Valid Documents (OVDs) including documents issued through DigiLocker

FINOVA shall ensure to redact or blackout the Aadhaar number in terms of Section 16.

In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than 3 days from the date of carrying out V-CIP.

Further, in line with the prescribed period of three days for usage of Aadhaar XML file / Aadhaar QR code, REs shall ensure that the video process of the V-CIP is undertaken within three days of downloading / obtaining the identification information through CKYCR / Aadhaar authentication / equivalent e-document, if in the rare cases, the entire process cannot be completed at one go or seamlessly. However, REs shall ensure that no incremental risk is added due to this.

- vii. If the address of the customer is different from that indicated in the OVD, suitable records of the current address shall be captured, as per the existing requirement. It shall be ensured that the economic and financial profile/information submitted by the customer is also confirmed from the customer undertaking the V-CIP in a suitable manner.

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- viii. RE shall capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority including through DigiLocker.
- ix. Use of printed copy of equivalent e-document including e-PAN is not valid for the V-CIP.
- x. The authorised official of the FINOVA shall ensure that photograph of the customer in the Aadhaar/OVD and PAN/e-PAN matches with the customer undertaking the V-CIP and the identification details in Aadhaar/OVD and PAN/e-PAN shall match with the details provided by the customer.
- xi. Assisted V-CIP shall be permissible when banks take help of Banking Correspondents (BCs) facilitating the process only at the customer end. Banks shall maintain the details of the 5 BC assisting the customer, where services of BCs are utilized. The ultimate responsibility for customer due diligence will be with the bank.
- xii. All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process and its acceptability of the outcome.
- xiii. All matters not specified under the paragraph but required under other statutes such as the Information Technology (IT) Act shall be appropriately complied with by the RE.

**(c) V-CIP Records and Data Management**

(i) The entire data and recordings of V-CIP shall be stored in a system / systems located in India. REs shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp that affords easy historical data search. The extant instructions on record management, as stipulated in this MD, shall also be applicable for V-CIP. (ii) The activity log along with the credentials of the official performing the V-CIP shall be preserved.

In case a person who desires to open an account is not able to produce documents, as specified in Section 16, FINOVA may at their discretion open accounts subject to the following conditions:

- a. FINOVA shall obtain a self-attested photograph from the customer.
- b. The designated officer of the FINOVA certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.
- c. The account shall remain operational initially for a period of twelve months, within which CDD as per Section 16 shall be carried out.
- d. Balances in all their accounts taken together shall not exceed rupees fifty thousand at any point of time.
- e. The total credit in all the accounts taken together shall not exceed rupees one lakh in a year.

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- f. The customer shall be made aware that no further transactions will be permitted until the full KYC procedure is completed in case Directions (d) and (e) above are breached by him.
- g. The customer shall 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 (d) and (e) above.

KYC verification once done by one branch/office of FINOVA shall be valid for transfer of the account to any other branch/office of FINOVA, provided full KYC verification has already been done for the concerned account and the same is not due for periodic updation.

#### ❖ Part- II CDD Measures for Sole Proprietary Firms

For opening an account in the name of a sole proprietary firm, identification information as mentioned under Section 14 in respect of the individual (proprietor) shall be obtained.

In addition to the above, any two of the following documents as a proof of business/ activity in the name of the proprietary firm shall also be obtained:

- a. Registration certificate.
- b. Certificate/licence issued by the municipal authorities under Shop and Establishment Act.
- c. Sales and income tax returns.
- d. CST/VAT/GST certificate (provisional/ final).
- e. Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.
- f. IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT/Licence/ Certificate of Practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
- g. Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities.
- h. Utility bills such as electricity, water, and landline telephone bills.

In cases where FINOVA is satisfied that it is not possible to furnish two such documents, FINOVA may, at their discretion, accept only one of those documents as proof of business/activity.

Provided FINOVA undertake contact point verification and collect such other information and clarification as would be required to establish the existence of such firm, and shall confirm and satisfy itself that the business activity has been verified from the address of the proprietary concern.

#### ❖ Part- III CDD Measures for Legal Entities

- For opening an account of a **company**, one certified copy of each of the following documents shall be obtained:

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- a. Certificate of incorporation
  - b. Memorandum and Articles of Association;
  - c. PAN of the company;
  - d. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf;
  - e. One copy of an OVD containing details of identity and address, one recent photograph and PANs of Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
- For opening an account of a **partnership firm**, one certified copy of each of the following documents shall be obtained:
- a. Registration certificate;
  - b. Partnership deed;
  - c. PAN of the partnership firm;
  - d. One copy of an OVD containing details of identity and address, one recent photograph and Permanent Account Numbers of Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
- For opening an account of a **trust**, one certified copy of each of the following documents shall be obtained:
- a. Registration certificate;
  - b. Trust deed;
  - c. Permanent Account Number or Form No.60 of the trust;
  - d. One copy of an OVD containing details of identity and address, one recent photograph and PANs of Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
- For opening an account of an **unincorporated association or a body of individuals**, one certified copy of each of the following documents shall be obtained:
- a. resolution of the managing body of such association or body of individuals;
  - b. PAN or Form No.60 of the unincorporated association or a body of individuals;
  - c. power of attorney granted to transact on its behalf;
  - d. one copy of an OVD containing details of identity and address, one recent photograph and PANs of Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf identification information as mentioned under

Such information as may be required by FINOVA to collectively establish the legal existence of such an association or body of individuals.

Unregistered trusts/partnership firms shall be included under the term 'unincorporated association' and the term 'body of individuals, includes societies.

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- For opening accounts of **juridical persons not specifically covered in the earlier part**, such as Government its Departments, societies, universities and local bodies like village panchayats, one certified copy of the following documents shall be obtained:
  - a. Document showing name of the person authorised to act on behalf of the entity;
  - b. Aadhaar/PAN/ OVD 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 FINOVA to establish the legal existence of such an entity/juridical person.

#### ❖ **Part-IV CDD Measures for 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 Rules to verify his/her 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.

#### ❖ **Part-V On-going Due Diligence Measures**

FINOVA 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. Without prejudice to the generality of factors that call for close monitoring following types of transactions shall necessarily be monitored:

- a. large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
- b. transactions which exceed the thresholds prescribed for specific categories of accounts.
- c. high account turnover inconsistent with the size of the balance maintained.
- d. deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts. The extent of monitoring shall be aligned with the risk category of the customer.

**Explanation:** High risk accounts have to be subjected to more intensified monitoring.

A system of periodic review of risk categorization of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.

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## ❖ Part VI - Enhanced and Simplified Due Diligence Procedure

### Enhanced Due Diligence:

➤ **Accounts of non-face-to-face customers (other than Aadhaar OTP based onboarding):** FINOVA shall ensure that the first payment is to be effected through the customer's KYC-complied account with another RE, for enhanced due diligence of non-face-to-face customers.

➤ **Accounts of Politically Exposed Persons (PEPs):**

A. FINOVA shall have the option of establishing a relationship with PEPs provided that:

- i. sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP;
- ii. the identity of the person shall have been verified before accepting the PEP;
- iii. The decision to open an account for a PEP is taken at senior level in accordance with the FINOVA's Customer Acceptance Policy;
- iv. All Such Accounts are subjected to enhanced Monitoring on an on-going basis;
- v. in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval is obtained to continue the business relationship;
- vi. The CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.

B. These instructions shall also be applicable to accounts where a PEP is the beneficial owner.

➤ **Customer's accounts opened by Professional Intermediaries:**

FINOVA shall ensure while opening customer's accounts through professional intermediaries, that:

- i. Customer shall be identified when client account is opened by a professional intermediary on behalf of a single client.
- ii. FINOVA shall have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.
- iii. FINOVA shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to FINOVA.

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- iv. All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of FINOVA, and there are 'subaccounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of FINOVA, FINOVA shall look for the beneficial owners.
- v. FINOVA shall, at their discretion, rely on the CDD done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers.
- vi. The ultimate responsibility for knowing the customer lies with FINOVA.

### **Periodic updation**

FINOVA shall adopt a risk-based approach for periodic updation of KYC. However, periodic updation shall 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 from the date of opening of the account / last KYC updation.

#### **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 FINOVA, customer's mobile number registered with FINOVA.
- 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 RE, customer's mobile number registered with the RE, ATMs, digital channels (such as online banking / internet banking, mobile application of RE), 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, deliverables etc.

Further, REs, at their option, may obtain a copy of OVD or deemed OVD or the equivalent e-documents thereof, as defined in Section 3(a)(xiii), 29 for the purpose of proof of address, declared by the customer at the time of periodic updation. Such requirement, however, shall be clearly specified by the REs in their internal KYC policy duly approved by the Board of Directors of REs or any committee of the Board to which power has been delegated.

- iii. **Accounts of customers, who were minor at the time of opening account, on their becoming major:** In case of customers for whom account was opened when they were minor, fresh photographs shall be obtained on their becoming a major and at that time it shall be ensured that CDD documents as per the current CDD standards are available with the REs. Wherever required, REs may carry out fresh KYC of such customers i.e. customers for whom account was opened when they were minor, on their becoming a major.

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**b. Customers other than individuals:**

- i. **No change in KYC information:** In case of no change in the KYC information of the LE customer, a self-declaration in this regard shall be obtained from the LE customer through its email id registered with the RE, ATMs, digital channels (such as online banking / internet banking, mobile application of RE), letter from an official authorized by the LE in this regard, board resolution etc. Further, REs 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, FINOVA shall undertake the KYC process equivalent to that applicable for on boarding a new LE customer.

**c. Additional measures:** In addition to the above, FINOVA shall ensure that:

- i. The KYC documents of the customer as per the current CDD standards are available with them. This is applicable even if there is no change in customer information but the documents available with FINOVA are not as per the current CDD standards. Further, in case the validity of the CDD documents available with FINOVA has expired at the time of periodic updation of KYC, FINOVA shall undertake the KYC process equivalent to that applicable for on-boarding a new customer.
- ii. Customer's PAN details, if available with the RE, are verified from the database of the issuing authority at the time of periodic updation of KYC.
- iii. Acknowledgment is provided to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out periodic updation. Further, it shall be ensured that the information / documents obtained from the customers at the time of periodic updation of KYC are promptly updated in the records / database of the REs and an intimation, mentioning the date of updation of KYC details, is provided to the customer.
- iv. In order to ensure customer convenience, REs may consider making available the facility of periodic updation of KYC at any branch, in terms of their internal KYC policy duly approved by the Board of Directors of REs or any committee of the Board to which power has been delegated.
- v. REs shall adopt a risk-based approach with respect to periodic updation of KYC. Any additional and exceptional measures, which otherwise are not mandated under the above instructions, adopted by the REs such as requirement of obtaining recent photograph, requirement of physical presence of the customer, requirement of periodic updation of KYC only in the branch of FINOVA where account is maintained, a more frequent periodicity of KYC updation than the minimum specified periodicity etc., shall be clearly specified in the internal KYC policy duly approved by the Board of Directors of REs or any committee of the Board to which power has been delegated.

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- vi. REs shall ensure that their internal KYC policy and processes on updation / periodic updation of KYC are transparent and adverse actions against the customers should be avoided, unless warranted by specific regulatory requirements.

In case of existing customers, FINOVA shall obtain the Permanent Account Number or equivalent e-document thereof or Form No.60, by such date as may be notified by the Central Government, failing which FINOVA shall temporarily cease operations in the account till the time the Permanent Account Number or equivalent e-documents thereof or Form No. 60 is submitted by the customer. Provided that before temporarily ceasing operations for an account, FINOVA shall give the customer an accessible notice and a reasonable opportunity to be heard. Further, FINOVA shall include, in its internal policy, appropriate relaxation(s) for continued operation of accounts for customers who are unable to provide Permanent Account Number or equivalent e-document thereof or Form No. 60 owing to injury, illness or infirmity on account of old age or otherwise, and such like causes. Such accounts shall, however, be subject to enhanced monitoring.

Provided further that if a customer having an existing account-based relationship with FINOVA gives in writing to FINOVA that he does not want to submit his Permanent Account Number or equivalent e-document thereof or Form No.60, FINOVA shall close the account and all obligations due in relation to the account shall be appropriately settled after establishing the identity of the customer by obtaining the identification documents as applicable to the customer.

Explanation – For the purpose of this Section, “temporary ceasing of operations” in relation an account shall mean the temporary suspension of all transactions or activities in relation to that account by FINOVA till such time the customer complies with the provisions of this Section. In case of asset accounts such as loan accounts, for the purpose of ceasing the operation in the account, only credits shall be allowed.

#### **CDD Procedure and sharing KYC information 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 REs shall capture customer’s KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.
- c) Operational Guidelines for uploading the KYC data have been released by CERSAI.
- d) REs 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.

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- e) The 'live run' of the CKYCR started from July 15, 2016 in phased manner beginning with new 'individual accounts'. Accordingly, Scheduled Commercial Banks (SCBs) are required to invariably upload the KYC data pertaining to all new individual accounts opened on or after January 1, 2017, with CKYCR. 39 SCBs were initially allowed time up-to February 1, 2017, for uploading data in respect of accounts opened during January 2017. REs other than SCBs were required to start uploading the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017, with CKYCR in terms of the provisions of the Rules *ibid*.
- f) REs shall upload KYC records pertaining to accounts of LEs opened on or after April 1, 2021, with CKYCR in terms of the provisions of the Rules *ibid*. The KYC records have to be uploaded as per the LE Template released by CERSAI.
- g) Once KYC Identifier is generated by CKYCR, REs shall ensure that the same is communicated to the individual/LE as the case may be.
- h) In order to ensure that all KYC records are incrementally uploaded on to CKYCR, REs shall upload/update the KYC data pertaining to accounts of individual customers and LEs opened prior to the above mentioned dates as per (e) and (f) respectively at the time of periodic updation as specified in Section 38 of this Master Direction, or earlier, when the updated KYC information is obtained/received from the customer.
- i) REs shall ensure that during periodic updation, the customers are migrated to the current CDD standard.
- j) Where a customer, for the purposes of establishing an account based relationship, submits a KYC Identifier to a RE, with an explicit consent to download records from CKYCR, then such FINOVA shall retrieve the KYC records online from the CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless –
  - i. there is a change in the information of the customer as existing in the records of CKYCR;
  - ii. the current address of the customer is required to be verified;
  - iii. FINOVA considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.

#### **Monitoring of Transactions**

Ongoing monitoring is an essential element of effective KYC procedures. FINOVA can effectively control and reduce its risk only if it has an understanding of the normal and reasonable activity of the customer so that it can identify transactions that fall outside the regular pattern. However, the extent of monitoring will depend on the risk sensitivity of the account.

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Since FINOVA will not have any deposit accounts, this situation will hardly arise, but FINOVA will in any case pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose, or transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer.

FINOVA will put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures. FINOVA will ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002 (and the Amended Act, 2009). It will also ensure that transactions of suspicious nature and/or any other type of transaction notified under section 12 of the PML Act, 2002 (and the Amended Act, 2009), is reported to the appropriate law enforcement authority.

#### **IV. Customer Education**

For implementing KYC Policy, the FINOVA shall have to seek personal and financial information from the new and intended customers at the time they apply for availing the loan facilities. It is likely that any such information, if asked from the intended customer, may be objected to or questioned by the customers. To meet such situation it is necessary that the customers are educated and apprised about the sanctity and objectives of KYC procedures so that the customers do not feel hesitant or have any reservation while passing on the information to the Company. For this purpose, all the staff members with whom the customers will have their first interaction/dealing will be provided special training to answer any query or questions of the customers and satisfy them while seeking certain information in furtherance of KYC Policy. To educate the customers and win their confidence in this regard, Company may arrange printed materials containing all the relevant information regarding KYC Policy and anti money laundering measures. Such printed materials will be circulated amongst the customers and in case of any question from any of the customer, the Company staff will attend the same promptly and provide explain reason for seeking any specific information and satisfy the customer in that regard.

#### **V. KYC Policy for Existing Customers**

Although this KYC Policy will apply and govern all the new and prospective customers, but some of the KYC procedures laid down in this policy particularly which deal with Customer Identification, Monitoring of Transactions and Risk Management can be effectively applied to the existing customers and their loan accounts. While applying such KYC procedures to the existing loan accounts if any unusual pattern is noticed, the same should be brought to the notice the Head of the concerned department and the Principal Officer appointed by the Company as per RBI directives. In case any existing customer does not co-operate in providing the information required as per KYC policy or conducts himself in such manner which gives rise to suspicion about his identify or credentials, such matters will be brought to the notice of Principal Officer who in turn will make necessary inquiries and if required shall forward the name of such customers to the concerned authorities for appropriate action. Besides above, in such situation the Company, for reasons to be recorded, may recall the loan granted to such

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customers and take recourse to legal remedy against the customers as well as security furnished by such customer.

## **VI. Maintenance of Records of Transactions**

As unlikely as it will be in FINOVA's case, due to its focus on lower income, FINOVA has a system of maintaining proper record of transactions prescribed under Rule 3, of the Prevention of Money-Laundering and value of transactions, the procedure and manner of maintaining and verification and maintenance of records of the identity of the clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, as mentioned below:

- All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- All series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
- 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;
- All suspicious transactions whether or not made in cash and by way of as mentioned in the rules.

## **VII. Maintenance and Preservation of Records**

FINOVA has a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities.

FINOVA shall:

- maintain all necessary records of transactions between the Company and the customer, both domestic and international, for at least five years from the date of transaction;
- preserve the records pertaining to the identification of the customers and their addresses obtained during the course of business relationship, for at least five years after the business relationship is ended;
- make available the identification records and transaction data to the competent authorities upon request;
- introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005);

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- maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:
  - i. the nature of the transactions;
  - ii. the amount of the transaction and the currency in which it was denominated;
  - iii. the date on which the transaction was conducted; and
  - iv. the parties to the transaction.
  - v. evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities;
  - vi. maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format.

### VIII. Modification of Policy

The Board of Director of company provide for periodical review of the compliance at various levels of management. A consolidate report of such reviews(if required) may be submitted to the Board at regular intervals, as may be prescribe by it.

The Company reserves to itself the right to alter/delete/add to these codes at any time without prior individual notice and such alterations /deletion/addition shall be binding.

-----\*End of Document\*-----

Version No.	Version Date	Types of changes	Prepared & Verified By	Date of Approval
V.2	May 24 , 2021	Revised document	Prepared by CS Namrata Sajnani and verified by Arpit Gupta, Rakesh Tailor and Vipul Tambi	June 01 , 2021

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## Annexure 1

### Digital KYC Process

- A. FINOVA shall develop an application for digital KYC process which shall be made available at customer touch points for undertaking KYC of their customers and the KYC process shall be undertaken only through this authenticated application of FINOVA.
- B. The access of the Application shall be controlled by FINOVA and it should be ensured that the same is not used by unauthorized persons. The Application shall be accessed only through login-id and password or Live OTP or Time OTP controlled mechanism given by FINOVA to its authorized officials.
- C. The customer, for the purpose of KYC, shall visit the location of the authorized official of the FINOVA or vice-versa. The original OVD shall be in possession of the customer.
- D. FINOVA must ensure that the Live photograph of the customer is taken by the authorized officer and the same photograph is embedded in the Customer Application Form (CAF). Further, the system Application of FINOVA shall put a water-mark in readable form having CAF number, GPS coordinates, authorized official's name, unique employee Code (assigned by FINOVA) and Date (DD:MM:YYYY) and time stamp (HH:MM:SS) on the captured live photograph of the customer.
- E. The Application of FINOVA shall have the feature that only live photograph of the customer is captured and no printed or video-graphed photograph of the customer is captured. The background behind the customer while capturing live photograph should be of white colour and no other person shall come into the frame while capturing the live photograph of the customer.
- F. Similarly, the live photograph of the original OVD or proof of possession of Aadhaar where offline verification cannot be carried out (placed horizontally), shall be captured vertically from above and water-marking in readable form as mentioned above shall be done. No skew or tilt in the mobile device shall be there while capturing the live photograph of the original documents.
- G. The live photograph of the customer and his original documents shall be captured in proper light so that they are clearly readable and identifiable.
- H. Thereafter, all the entries in the CAF shall be filled as per the documents and information furnished by the customer. In those documents where Quick Response (QR) code is available, such details can be auto-populated by scanning the QR code instead of manual filing the details. For example, in case of physical Aadhaar/e-Aadhaar downloaded from UIDAI where QR code is available, the details like name, gender, date of birth and address can be auto-populated by scanning the QR available on Aadhaar/e-Aadhaar.

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- I. Once the above mentioned process is completed, a One Time Password (OTP) message containing the text that 'Please verify the details filled in form before sharing OTP' shall be sent to customer's own mobile number. Upon successful validation of the OTP, it will be treated as customer signature on CAF. However, if the customer does not have his/her own mobile number, then mobile number of his/her family/relatives/known persons may be used for this purpose and be clearly mentioned in CAF. In any case, the mobile number of authorized officer registered with FINOVA shall not be used for customer signature. FINOVA must check that the mobile number used in customer signature shall not be the mobile number of the authorized officer.
- J. The authorized officer shall provide a declaration about the capturing of the live photograph of customer and the original document. For this purpose, the authorized official shall be verified with One Time Password (OTP) which will be sent to his mobile number registered with FINOVA. Upon successful OTP validation, it shall be treated as authorized officer's signature on the declaration. The live photograph of the authorized official shall also be captured in this authorized officer's declaration.
- K. Subsequent to all these activities, the Application shall give information about the completion of the process and submission of activation request to activation officer of FINOVA, and also generate the transaction-id/reference-id number of the process. The authorized officer shall intimate the details regarding transaction-id/reference-id number to customer for future reference.
- L. The authorized officer of FINOVA shall check and verify that:-
  - (i) information available in the picture of document is matching with the information entered by authorized officer in CAF.
  - (ii) live photograph of the customer matches with the photo available in the document; and
  - (iii) all of the necessary details in CAF including mandatory field are filled properly;
- M. On Successful verification, the CAF shall be digitally signed by authorized officer of FINOVA who will take a print of CAF, get signatures/thumb-impression of customer at appropriate place, then scan and upload the same in system. Original hard copy may be returned to the customer.

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