

Note on ESAF Small Finance Bank's Know Your Customer (KYC) / Anti-Money Laundering (AML) / Combating Financing of Terrorism (CFT) Policy

As per Reserve Bank of India (RBI) guidelines and the provisions of the Prevention of Money Laundering Act, 2002 (PMLA), ESAF Small Finance Bank (hereinafter referred to as 'The Bank') has put in place a comprehensive policy framework covering Know Your Customer (KYC) norms, Anti Money Laundering (AML) standards and Combating Financing of Terrorism (CFT) measures.

The Bank is committed towards developing robust Know Your Customer (KYC) principles and Anti-Money Laundering (AML) standards to know/ understand its customers and their financial dealings and manage risks arising out of such financial dealings prudently, as per the relevant guidelines issued by regulators from time to time. The Bank adopts a Risk Based Approach (RBA) in implementing its KYC/AML/CFT framework.

The Bank's KYC/AML/CFT Policy aims to develop a diligent and compliance sensitive culture in the Bank through a focused approach on customer acceptance and identification procedures , and prevention of money laundering and financing of terrorism. It requires the management and all employees to adhere to these standards to prevent use of the Bank's products and services for money laundering/ terrorist financing or any similar purposes.

The KYC/AML/CFT Policy duly approved by the Board of Directors of the Bank, facilitates a robust governance structure and a framework for implementation of AML standards across the Bank to ensure compliance with KYC/ AML/ CFT guidelines. The KYC/ AML/CFT Policy is applicable to all branches, offices, functions and units of the Bank.

In line with the RBI guidelines, the Policy comprises of the following components:

- 1.Customer Acceptance Policy
- 2.Customer Identification Procedure
- 3.Transaction Monitoring
- 4.Risk Management

The Bank has a 'Designated Director' on its Board, to ensure overall compliance with the obligations under Prevention of Money Laundering Act, 2002 (PMLA). As required under PMLA, the Bank has appointed a Principal Officer. The role and responsibilities of the PO includes overseeing and monitoring compliance with regulatory guidelines with respect to customer acceptance, customer identification, transaction monitoring and risk management.

The Bank has on-going employee training programmes so that the members of staff are adequately trained in KYC/AML/CFT policies and procedures.

Bank is subject to Internal and Regulatory Audit for ensuring compliance with the KYC/ AML/ CFT Policy and procedures.

The Bank adheres to the obligations under PMLA, 2002 and has appropriate procedures and systems for maintenance of records, preservation and reporting of customer account information.

As per the Prevention of Money Laundering Rules, the Bank submits reports and information to the Director, Financial Intelligence Unit-India (FIU-IND)

The KYC/AML/CFT Policy is reviewed once in a year or at increased frequencies for incorporating changes, based on revised and modified instructions issued by Reserve Bank of India/Government of India/Financial Intelligence Unit/other competent authorities from time to time.