PROCEDURAL GUIDELINES

FOR DTX

(TREDS PLATFORM)

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1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in the economic structure of the country, yet they continue to face challenges in securing sufficient financing, particularly when it comes to converting their trade receivables into cash. To address this issue, the Reserve Bank of India (RBI) has issued guidelines for establishing and managing an electronic system that facilitates the financing of MSME trade receivables from corporate buyers, government departments, and Public Sector Undertakings (PSUs) through multiple financiers. This electronic system is commonly referred to as the Trade Receivables Discounting System (TReDS).

The Trade Receivables Discounting System (TReDS) is an electronic platform introduced in India to facilitate the financing of trade receivables for Micro, Small, and Medium Enterprises (MSMEs). TReDS allows MSMEs to access funds by selling their invoices or bills of exchange to financiers, thereby improving their liquidity and working capital. Established under the guidelines of the Reserve Bank of India (RBI), TReDS aims to streamline the process of receivables financing, providing a transparent, efficient, and secure mechanism for MSMEs to convert their receivables into immediate cash. The system also includes buyers, including large corporations, government departments, and public sector undertakings, as participants, creating a collaborative ecosystem that fosters financial inclusion and growth for MSMEs.

The system ensures that transactions are carried out securely, with clear terms and conditions, offering a "without recourse" feature that protects MSMEs from default risks. TReDS not only supports the growth of small businesses but also enhances financial inclusion by providing them with easier access to capital. By addressing the funding challenges of MSMEs, TReDS plays a crucial role in driving inclusive economic growth in India.

2. SHORT TITLE

KredX Platform Private Limited (hereinafter referred to as "**KPPL**") is the legal entity that has established the TReDS platform, in accordance with approval from RBI under the Payment and Settlement Systems Act, 2007. RBI has issued Certificate of Authorisation No. 217/2025 dated January 01, 2025 to KPPL to set up and operate TReDS Platform. KPPL has branded the platform and its associated website as "DTX."

This procedural guideline document should be understood with the foundational context that all contractual obligations and responsibilities related to the processes outlined herein rest with the legal entity (i.e., KPPL). References to "DTX," "DTX Platform," and "DTX Team" are made to clarify the connection between the team and processes associated with the TReDS platform (i.e., "**DTX**") developed by KPPL.

3. OBJECTIVES

- **Provide Clear Operational Framework**: To outline the standard procedures and operational guidelines for the efficient and effective functioning of the DTX platform, ensuring transparency, consistency, and clarity for all stakeholders involved.
- **Ensure Regulatory Compliance**: To ensure that all activities conducted on the DTX platform are in full compliance with the regulations and guidelines set forth by the Reserve Bank of India (RBI) and other relevant authorities governing the Trade Receivables Discounting System (TReDS).
- **Facilitate Smooth Onboarding**: To define the process for onboarding participants, including MSMEs, corporate buyers, and financiers, thereby establishing a seamless integration of all parties into the DTX platform.
- **Establish Roles and Responsibilities**: To clearly define the roles, responsibilities, and obligations of each

participant, including MSMEs, buyers, financiers, and platform administrators, ensuring smooth and transparent transactions.

- **Promote Financial Inclusion**: To provide a framework that helps MSMEs access timely financing through trade receivables discounting, fostering greater financial inclusion and addressing liquidity challenges faced by smaller businesses.
- **Define Transaction Processes**: To detail the processes involved in the discounting of invoices, bills of exchange, and reverse factoring, ensuring that all transactions are conducted securely, efficiently, and without recourse to the MSME.
- **Risk Management and Safeguards**: To establish procedures for managing risks, mitigating fraud, and ensuring the integrity of the platform, protecting both MSMEs and other participants from potential financial risks and defaults.
- **Ensure Timely Settlements**: To provide guidelines for ensuring that the settlement of discounted receivables is prompt and accurate, contributing to improved cash flow for MSMEs and timely payment for financiers.
- **Encourage Transparency and Fairness**: To promote transparency and fairness in the pricing and terms of trade receivables discounting, creating a level playing field for all participants and enhancing trust in the platform.
- **Support Systematic Monitoring and Dispute Resolution**: To outline procedures for monitoring platform activity, managing any disputes that arise, and ensuring that all concerns are addressed in a fair and timely manner.

These objectives aim to establish a comprehensive, efficient, and secure operational process for the DTX platform, ensuring its success in facilitating the financing of MSMEs and contributing to the growth of the broader economy.

4. DEFINITIONS

For the purpose of the procedural guidelines, the following definitions are used:

A) **Assignment:** An assignment is the transfer of an individual's rights or property to another person or business.

B) **Business day**: "Business Day" shall mean a day on which DTX platform is open for business as notified by it from time to time.

C) **Buyer**: "Buyer" shall mean a company, a proprietorship firm, a partnership firm, a government department/organisation, a public sector undertaking, or any other entity that is liable to pay to its Supplier in respect of the Goods supplied or Services rendered by Supplier, and is eligible under the TReDS guidelines issued by RBI to be enrolled on DTX.

D) **Buyer's Bank:** Scheduled commercial bank/banks with which Buyer is availing working capital finance or maintaining an account in which DTX related transactions of the Buyer will be put through. In case of Multiple/Consortium banking, Buyer's Bank will be one of the banks of Multiple/Consortium members nominated by the Buyer to handle a specific DTX related transaction of the Buyer.

E) **Charge:** A Charge is a right created by any person including a company (referred to as "borrower") on its assets and properties, present and future, in favour of a financial institution or a bank, referred to as "the lender", which has agreed to extend financial assistance.

F) **Cut off Time:** The time (as decided by KPPL for DTX) before which the transactions received on DTX platform will be deemed as received on the same day. Transactions received after cut off time on particular date will be deemed having received by KPPL on next working day.

G) **Digital Signature:** "Digital Signature" means authentication of any electronic record by a participant by means of an electronic method or procedure in accordance with the provisions of Information Technology Act and includes Aadhaar based electronic signatures or such electronic signature recognized/approved in accordance with the provisions of laws applicable in India.

H) **DTX:** DTX is the brand name created by KPPL for its online TReDS platform & related website to facilitate online discounting of MSME receivables and any other business as permitted from time to time by RBI under guidelines issued for TReDS.

I) **Factoring:** A financial transaction and a type of debtor finance in which a Supplier sells its accounts receivable (i.e., invoices) to a third party (called a Factor) at a discount and the Factor assumes responsibility for collecting the receivables.

J) **Financier**: Financier refers to a bank as well as an NBFC factor participant (or any other entity permitted by RBI) who is willing to discount or rediscount the factoring units created on DTX platform.

K) **KPPL**: KPPL is the legal entity which has set up TReDS platform basis Certificate of Authorisation issued by RBI under Payment and Settlement Systems Act, 2007.

L) **MSME:** An entity defined as Micro, Small or Medium enterprises as per MSMED Act 2006. It includes:

- A micro enterprise as defined under the Section 7 (a) (i) and 7 (b) (i) of the MSMED Act;
- A small enterprise as defined under the Section 7 (a) (ii) and 7 (b) (ii) of the MSMED Act;
- A medium enterprise as defined under the Section 7(a) (iii) and 7(b) (iii) of the MSMED Act.

M) **Reverse Factoring:** A financing solution initiated by the Buyer in order to have his suppliers' receivables financed more easily based on the credit worthiness of the Buyer.

N) **Sponsor Bank:** The Bank nominated by KPPL for DTX operations to facilitate the execution of settlement file/instructions (as generated by DTX platform) through NPCI using settlement system following the procedures as mentioned under settlement section.

O) **Supplier:** "Supplier" shall be an MSME (or any other entity as permitted by RBI from time to time), which may be an individual, a proprietorship firm, a partnership firm, or a company that has supplied goods or services to Buyers.

P) **Supplier's Bank:** Scheduled commercial bank/banks with which Supplier is availing working capital finance or maintaining an account in which DTX related transactions of the Supplier will be put through. In case of Multiple/Consortium banking, Supplier's Bank will be one of the banks of Multiple/Consortium members nominated by the Supplier to handle specific DTX related transaction of the Supplier.

5. PRODUCTS OFFERED

The KredX DTX platform is designed to provide a seamless solution for MSMEs (Micro, Small, and Medium Enterprises) to access much-needed liquidity by facilitating the discounting of invoices. This platform aims to unlock working capital for MSMEs, allowing them to convert their trade receivables into immediate cash, thus improving their cash flow and financial stability. By leveraging the platform, MSMEs can receive funding based on their invoices, enabling them to meet their operational needs without waiting for the extended credit terms typically offered by buyers.

The DTX platform supports both factoring and reverse factoring, two essential financing mechanisms that help streamline the cash flow process between MSMEs, corporate buyers, government entities, and PSUs (Public Sector Undertakings). By enabling both factoring and reverse factoring, the DTX platform ensures that MSMEs can access funds more flexibly, depending on the needs of the transaction.

By accommodating both factoring and reverse factoring, the platform is capable of handling a higher volume of transactions, which can result in more competitive pricing for both buyers and sellers. This increased volume creates a dynamic and efficient marketplace where financiers can offer better terms and pricing to MSMEs, based on the quality and volume of trade receivables in the system.

The DTX platform shall also facilitate non-financed settlement of invoices in accordance with the Reserve Bank of India (Trade Receivables Discounting System) Directions, 2026, the RBI notification dated 30 June 2026. In such cases invoices accepted on the Platform may be settled directly between the Buyer and the Seller through the settlement mechanism as provided in this Guideline.

DTX Platform Product Offerings

The DTX platform provides the following core products, each designed to cater to different aspects of trade receivables financing:

- **Factoring**: This product allows MSMEs to sell their receivables (invoices) to a financier at a discount in exchange for immediate cash. Factoring provides MSMEs with quick access to capital, which is crucial for day-to-day operations.
- **Reverse Factoring**: In this arrangement, the buyer (corporate, government, or PSU) works with a financier to pay the MSME upfront for the receivable, while the buyer settles the amount later. Reverse factoring helps MSMEs by providing immediate funds and allows buyers to benefit from extended payment terms.
- **"Non-Discounted Transaction":** In this arrangement no financing is availed and payment is made by the Buyer through the settlement mechanism of the Platform.

By offering both factoring and reverse factoring, the DTX platform creates a robust environment for facilitating the financing of trade receivables across various participants, including suppliers, buyers, and financiers. This versatility in financing options improves liquidity for MSMEs and enhances the overall efficiency of the platform, driving economic growth and empowering small businesses in India.

6. ELIGIBILITY CRITERIA OF PARTICIPANTS AT DTX

The following eligibility criteria outline the specific requirements for participants to be part of the TReDS platform. The participants of the TReDS platform include MSMEs (suppliers), buyers (corporates, government entities, and PSUs), and financiers (banks, financial institutions, etc.). Each type of participant must meet specific eligibility criteria to register and transact on the platform.

Eligibility Criteria for Financier

To be eligible to participate as a financier on the DTX platform, the following entities must meet the necessary criteria:

- **Scheduled Commercial Banks**: All scheduled commercial banks licensed by the Reserve Bank of India (RBI) to operate banking business in India are eligible to participate as financiers on the DTX platform.
- **NBFC Factors**: Non-Banking Financial Companies (NBFCs) that have been granted a certificate of registration

by the RBI under Section 3 of the **Factoring Regulation Act, 2011** are eligible to participate as financiers.

- **Other RBI-Approved Entities**: Any other entities permitted by the RBI to participate as financiers under the TReDS framework will also be eligible to enroll as financiers on the DTX platform.

Eligibility Criteria for Buyer

The buyer on the DTX platform must be a legitimate entity with a valid business presence. The eligibility criteria for buyers are as follows:

- **Buyer Entities**: Buyers may include corporations, partnership firms, proprietorships, individual buyers, government corporations, government departments, public sector undertakings (PSUs), or any other legal form of business that regularly purchases goods and/or services from MSMEs.
- **Financial Health**: The buyer should have a reasonable turnover and must not be classified as a high-risk entity. The buyer's credit risk must be considered acceptable by financiers.
- **Creditworthiness**: Entities that have been declared as wilful defaulters, are insolvent, under liquidation, or receivership, or those with an external credit rating denoting a "default grade" will generally not be eligible to participate as a buyer.

Eligibility Criteria for Supplier (MSME Seller)

Suppliers on the DTX platform must meet the following eligibility criteria:

- **MSME Status**: The supplier must be a registered Micro, Small, or Medium Enterprise (MSME) as defined under the **Micro, Small and Medium Enterprises Development (MSMED) Act, 2006**.
  Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:
  - a micro enterprise, where the investment in Plant and Machinery or Equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
  - a small enterprise, where the investment in Plant and Machinery or Equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees;
  - a medium enterprise, where the investment in Plant and Machinery or Equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.
- **No Insolvency or Liquidation**: The supplier should not be insolvent, under liquidation, or in receivership.
- **No Prohibited List**: The supplier should not be on any blacklist or prohibited list maintained by the DTX platform or other TReDS platforms.
- **Government of India MSME Definition Compliance**: Suppliers must comply with the definition provided under the MSMED Act and should be able to provide documentary evidence to verify their MSME status.

The eligibility criteria for participants on the DTX platform ensure that all entities involved in the trade receivables discounting process meet specific legal, financial, and operational standards. All participants must adhere to these eligibility requirements to be successfully onboarded and to maintain their access to the platform.

7. REGULATORY FRAMEWORK

The overall regulatory framework for DTX platform is designed to ensure that the platform operates within the legal and regulatory boundaries set by the Reserve Bank of India (RBI) and other relevant authorities. The framework ensures transparency, security, and fairness for all participants, including Micro, Small, and Medium Enterprises (MSMEs), buyers, and financiers. It aims to establish a structured environment that fosters trust, promotes financial inclusion, and guarantees that all transactions are conducted in a compliant, efficient, and secure manner.

KPPL, as the legal entity managing the DTX platform, has obtained the Certificate of Authorisation from RBI to establish and operate the platform. The platform will only permit authorized participants, including MSMEs, corporate buyers, government departments, and public sector undertakings (PSUs), to engage in the discounting of trade receivables. The DTX platform will operate in full compliance with the regulations set forth by the Reserve Bank of India (RBI), as outlined under the Payment and Settlement Systems Act, 2007. The platform will adhere to the RBI's guidelines for the establishment, operation, and management of the TReDS framework, ensuring that all participants follow the prescribed processes and procedures.

In addition to the Payment and Settlement Systems Act, 2007 (PSS Act), the following guidelines and frameworks are also relevant in this domain:

- Digital Data Protection Act, 2023
- Factoring Regulation Act, 2011
- Information Technology Act, 2000
- Lending to Micro, Small & Medium Enterprises (MSME) Sector RBI Master Circular on Loans & Advances
- Negotiable Instruments Act, 1881
- Payment & Settlement Systems Act, 2007
- Priority Sector Lending: Targets and Classification
- RBI Master Directives on KYC, KYC Norms & Guidelines, and Best Market Practices
- Stamp Duty Act, 1899

By adhering to this regulatory framework, the DTX platform will provide a secure, transparent, and efficient environment for MSMEs, buyers, and financiers, facilitating the smooth discounting of trade receivables.

8. ROLES AND RESPONSIBILITIES OF DTX PARTICIPANTS

The proper functioning of DTX platform relies heavily on the active participation and compliance of its various participants. This chapter outlines the roles and responsibilities of the key participants in the TReDS ecosystem.

(i) Financier

The Financier plays a pivotal role by providing financing against trade receivables. The primary role of a Financier is to provide liquidity to the MSMEs and other suppliers by discounting their receivables.

Responsibilities:

(a) Assessment of Receivables: The Financier must assess the quality and validity of the receivables presented by the Supplier or MSME before offering any discount.

(b) Due Diligence: It is the Financier’s responsibility to conduct appropriate due diligence on the creditworthiness of the Buyer and verify the details of the trade transactions.

(c) Funding: Once the trade receivables are verified, the Financier should make funds available to the Supplier or MSME promptly.

(d) Compliance with Guidelines: The Financier must adhere to the regulatory guidelines provided by the Reserve Bank of India (RBI) and other regulatory authorities.

(e) Clearing Payments: The Financier is responsible for ensuring that payment for discounted receivables is made to the Supplier or MSME on time and to ensure that settlement of the factoring unit is being done as per agreed settlement date.

(f) CERSAI Registration: The Financier must verify that the charge created on the receivables, registered with CERSAI (Central Registry of Securitization Asset Reconstruction and Security

Interest of India) by DTX, is accurate in all details.

(g) Financier would be responsible for SMA and NPA reporting of the transaction where discounting is being done on acceptance of buyer (Without buyer bank acceptance).

(ii) Supplier / MSME

The Supplier or MSME is the party that sells its receivables to a Financier in exchange for immediate payment. This helps in improving the liquidity position of the Supplier.

Responsibilities:

(a) Submission of Receivables: The Supplier must ensure that the receivables they wish to discount are valid, legally enforceable, and not overdue.

(b) Documentation: The Supplier is responsible for submitting all necessary documentation that proves the validity of the receivables, such as invoices, delivery notes, and purchase orders.

(c) Disclosing Information: The Supplier should provide accurate and complete information regarding the transaction, including the identity of the Buyer and terms of payment.

(d) Supplier needs to ensure that invoices submitted on DTX Platform are not being discounted on other TReDS platforms or financed/ discounted by its existing working capital bankers or any other lender.

(e) Supplier needs to ensure that in respect of goods and services underlying the factoring unit, no finance is extended by the working capital financing bank and such goods and services are not charged to the working capital financing bankers (i.e. finance availed through the DTX would not be part of existing charge / hypothecation of its working capital bankers).

(f) Supplier needs to ensure that invoices discounted on DTX platform are deducted from the Drawing Power statement submitted to its working capital banker.

(g) Supplier needs to ensure that invoices raised represent genuine supplies made by the Supplier and are complete and proper.

(h) Supplier needs to ensure that in case of financing on the basis of invoices, underlying sales proceeds of such invoice would be assigned to the respective financier. This aspect would be covered by one time agreement between supplier and KPPL and to the effect that any invoice financing transaction on DTX will tantamount to an assignment of receivables in favour of whoever is the financier.

(i) Supplier need to ensure that in case of wrong settlement, it would support KPPL and Sponsor bank for any refund / retrieval of funds from its account.

(j) Suppliers would ensure that in case the same is eligible under PSL classification as per MSME act, they would produce the relevant documents for the same.

(iii) Buyer

The Buyer is the party who owes payment to the Supplier for goods or services rendered. In TReDS, the Buyer is not directly involved in the financing process but is crucial for the transaction to proceed smoothly.

Responsibilities:

(a) Acknowledging Receivables: The Buyer must acknowledge the validity of the receivables presented by the Supplier and ensure timely payment to the Financier if receivables have been discounted.

(b) Payment to Financier: The Buyer should make payment to the Financier as per the due date for the receivables that have been discounted on the DTX platform.

(c) Payment to Seller: In case of transactions processed on the Platform where no financing is availed and payment is made by the Buyer through the settlement mechanism of the Platform.

(d) Buyer needs to ensure that invoices raised on it represent genuine supplies made to the Buyer and are complete and proper.

(e) Buyer needs to ensure that invoices submitted on DTX Platform are not discounted or financed on other TReDS platforms or by its existing working capital bankers or other lenders.

(f) The buyer would be responsible for making the payment of discounted factoring unit on due date once the factoring unit is accepted by it on the DTX platform. Buyer will ensure that its account is duly funded on the due date of the factoring unit.

(g) Buyer would be responsible to ensure that any quality and quantity related issues with supplier are taken up outside the purview of DTX and acceptance provided by it on DTX platform would constitute its irrevocable confirmation to make the payment on due date to selected Financier and acceptance towards assignment of receivable in favour of selected Financier. There would be no recourse available on DTX platform with respect to quality of goods or otherwise.

(h) Buyer would be responsible to ensure that it does not set off payments due on DTX with other payables to/ receivable from supplier. Set off would not be permitted under DTX platform.

(i) The Buyer understands Financiers will perform due diligence on it and the Financiers will be authorized to verify the conduct/record/payment history of the Buyer using credit bureau's such as CIBIL, CRILC and/or any other agency and no separate authorisation will be required from Buyer in this regard.

(iv) DTX

DTX manages the technological infrastructure and overall functioning of the TReDS system. They provide the online platform through which the buyers, suppliers, and financiers can interact to facilitate the discounting of receivables.

Responsibilities:

(a) DTX must ensure that the platform adheres to all regulatory guidelines set by the RBI and other governing bodies.

(b) KPPL will set up an online platform under the TReDS guidelines to facilitate the factoring/reverse factoring/ discounting transactions (by introducing products such as factoring, reverse factoring and any other product.

(c) KPPL would be responsible for onboarding of suppliers, buyers and Financiers on DTX on Pan India Basis. The on boarding process would be carried out per the RBI Guidelines for TReDS.

(d) KPPL would be responsible for generation and processing of settlement files using the DTX platform of daily transactions. KPPL would be responsible for putting in place a Grievance Redressal mechanism to handle disputes arising between system participants.

(e) KPPL would be responsible for ensuring the setting up of a suitable fraud and risk management framework for DTX.

(f) KPPL would be responsible for setting up robust MIS and reporting system in place for ease and convenience of information to system participants of DTX.

(g) KPPL would be responsible for putting in place a customer support desk for resolution of queries and complaints of system participants of DTX.

9. DTX PROCESS FLOW

(i) Corporate and other buyers, including Government Departments and Public Sector Undertakings, Supplier or MSME Seller, Banks / NBFC / Other Financial Institutions onboard on the TReDS platform as per RBI KYC guidelines read with the RBI TReDS Guidelines for the time being in force. The entity will upload the required KYC document and fill the application form. The documents and the digitally filled application form will be validated by the DTX- Admin team. On- boarding of any entity will require the submission and validation of the following-

(a) Digitally signed application document.

(b) KYC documents (Only for MSME Sellers)

(c) Legally approved MSA

(d) NACH registration with NPCI (For sellers this is not a mandatory step the account details will be captured during the application process. However, if the same entity enters a buyer for the transaction, then NACH registration becomes mandatory before the commencement of any other transaction).

(ii) On the basis of an unpaid genuine invoice, the MSME seller creates a 'factoring unit' (which would be a standard nomenclature used in the TReDS for an invoice on the system) on TReDS. Subsequently, the buyer also logs on to TReDS and flags this factoring unit as 'accepted'. In case of reverse factoring, this process of creation of the factoring unit could be initiated by the buyer.

(iii) Supporting documents evidencing movement of goods etc. including invoices may also be uploaded by the MSME seller or the buyer while creation of Factoring Unit or Reverse Factoring Unit respectively. For factoring transactions, the Seller will upload the invoices onto the platform for each factoring unit. In the case of reverse factoring transactions, the Buyer may upload the invoices onto the platform for each factoring unit.

(iv) Each factoring unit will represent a confirmed obligation of the corporate and other buyers, including Government Departments and PSUs, and will carry the following relevant details – details of the seller and the buyer, issue date (could be the date of acceptance), due date, tenor (due date – issue date), balance tenor (due date – current date), amount due, unique identification number generated by the DTX, account details of seller for financier's reference (for credit at the time of financing), account details of buyer for financier's reference (for debit on the due date), the underlying commodity or service.

(v) The creation of a factoring unit on DTX platform results in automatic generation of a notice / advice to the buyer's bank informing them of such units.

(vi) These factoring units will be available for financing by any of the financiers registered on our system. The all-in-cost quoted by the financier will be available on DTX and will be visible to other financiers as well with "Lowest Bid" highlighted but Name of other financiers will be hidden.

(vii) There will be a window period provided for financiers to quote their bids against factoring units. Bids placed by financiers will be valid for 5 (five) days from the date of placement. Once accepted by the MSME seller / buyer, there will be no option for financiers to revise their bids quoted online.

(viii) The MSME seller / buyer is free to accept any of the bids and the financier will receive the necessary intimation. Financiers will finance the balance tenor on the factoring unit.

(ix) Once a bid is accepted, the DTX will generate the settlement file and send it to NPCI via sponsor bank for settlement. There will be alternate settlement mechanisms like direct settlement between parties permissible only in case the NACH settlement does not happen appropriately. The settlement mechanism will be set in agreement with all the stakeholders as in Buyer, MSME Seller and the Financier.

(x) Once an accepted factoring unit has been financed by a financier, notice would be sent to buyer's bank as well as seller's bank. While the buyer's bank would use this information to ensure availability of funds and also handle the direct debit to the buyer's account on the due date in favour of the financier (based on the settlement obligations generated by the TReDS), the seller's bank will use this input to adjust against the working capital of the MSME seller, as necessary (the TReDS procedures may, if necessary, also indicate that the proceeds of the accepted and financed factoring units will be remitted to the existing working capital / cash credit account of the MSME seller).

(xi) On the due date, the financier will have to receive funds from the buyer. The DTX will send due notifications to the buyers and their banks advising them of payments due. The DTX will prepare the transaction file and send it to NPCI via sponsor bank for settlement.

(xii) Non-payment by the buyer on the due date to their banker should tantamount to a default by the buyer (and be reported as such as per regulatory procedures prescribed from time to time) and enable the banker to proceed against the buyer. Any action initiated in this regard, will be strictly non-recourse with respect to the MSME sellers and outside the purview of the DTX.

(xiii) In order to meet the requirements of various stakeholders, the DTX will provide various types of MIS reports including intimation of total receivables position, financed and unfinanced (to sellers); intimation of outstanding position, financed and unfinanced with details of beneficiaries and beneficiary accounts to be credited (for buyers); total financed position for financiers; etc. Similarly, data on unfinanced factoring units in the market will be made available by the DTX.

10. DTX PROCESS FLOW FOR UNFINANCED FACTORING UNIT

(i) The process shall commence with the Buyer uploading the invoice on the DTX Platform through the prescribed API integration. Upon receipt of the invoice, the Platform shall verify whether an invoice with the same details already exists on the Platform. If a duplicate invoice is identified, the Platform shall determine whether such invoice has already been factored or has been forwarded to the NPCI for payment. Where either of these events has occurred, the Platform shall reject the upload and return an appropriate error message. However, if the invoice has neither been factored nor forwarded for payment, the Platform shall update the existing invoice with the revised details submitted by the Buyer.

(ii) Where the invoice is not a duplicate, the Platform shall verify whether the Seller is already registered on the Platform. If the Seller is not registered, the Platform shall create the Seller's profile and undertake the necessary onboarding and verification checks, including verification of the Seller's GSTIN, PAN, Udyam Registration and such other checks, including penny-drop verification, as may be required under the Platform's internal policies or Applicable Law. In the event any such verification fails, the Platform shall notify the Buyer and the invoice shall not proceed further until the discrepancy is rectified**.**

(iii) Upon successful verification of the Seller, or where the Seller is already registered on the Platform, the Platform shall verify whether the bank account furnished for the invoice matches an existing verified bank account of the Seller. If the bank account is different, the Platform shall add the bank account to the Seller's registered bank accounts and undertake the necessary penny-drop verification. Where such verification is unsuccessful, the Platform shall notify the Seller to coordinate with the Buyer for rectification of the bank account details. Upon successful verification, the Seller and the relevant bank account shall be marked as verified on the Platform.

(iv) Thereafter, the Platform shall record the invoice details, generate a successful acknowledgement and notify the Seller regarding receipt of the invoice on the Platform.

(v) Following the successful upload of the invoice, the Platform shall determine whether the invoice due date is more than two (2) days away. Where the due date exceeds two (2) days, the Seller shall have the option to avail financing of the invoice through the Platform. If the Seller elects to factor the invoice, the Platform shall facilitate the factoring process in accordance with the applicable procedures. Upon the due date, payment shall be processed in favour of the Financier.

(vi) Where the Seller does not opt for factoring, or where the invoice is not factored, the Platform shall continue to monitor the invoice until its due date. Where required under the Platform's policies, including where the transaction value exceeds the prescribed threshold, the Platform may undertake an additional penny-drop verification prior to settlement. Upon successful completion of all applicable verification requirements and on the due date, the settlement of the invoice shall be processed in accordance with the applicable settlement mechanism prescribed by the Platform.

11. FEES AND CHARGES

KPPL may charge fees for the use of its platform and support services, applicable to all participants based on the agreement with the DTX platform, which will be part of the MSA.

Type of Charges

KPPL may impose the following types of charges (but not limited to):

(a) Annual Platform Fees

(b) Onboarding Charges

(c) Other Charges as mutually agreed

The specific charges will be determined on a case-by-case basis between the parties and will be included in the

MSA.

The charges mentioned above will be payable by the Financier, Buyer, or Supplier, depending on the selected product and other specific requirements. The agreed-upon charges will be detailed in the Master Service Agreement with each participant under the "Fee/Charges Schedule." KPPL retains the right to modify or waive any of the charges in accordance with DTX's business policies.

Mode of Collection

KPPL will collect the charges according to the payment terms specified in the MSA.

12. CHARGE REGISTRATION PROCESS ON CERSAI

This section addresses the requirement to create and fulfill the charge on CERSAI in compliancewith the Factoring Regulation Act, 2012. In accordance with the TReDS guidelines set by the RBI, factoring units discounted on the DTX platform must be registered on CERSAI. The process as laid down in the below RBI Guidelines will be followed by DTX. www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12223&Mode=0

13. Know Your Customer (KYC) Procedures

KPPL's Know-Your-Customer (KYC) Policy outlines the procedures for collecting KYC documents from Buyers to ensure proper buyer identification and information gathering. This policy is designed to help DTX understand its Buyers' financial activities and prevent misuse for illegal activities such as money laundering and terrorist financing. The policy is based on relevant laws, including the Prevention of Money Laundering Act, 2002, and guidelines issued by the Reserve Bank of India (RBI).

KPPL's KYC, Anti-Money Laundering (AML), and Combating the Financing of Terrorism (CFT) practices will be periodically reviewed and updated to stay aligned with regulatory requirements. The Board of Directors will approve the policy, and necessary controls will be implemented to detect and report suspicious activities. Staff will be trained in KYC/AML procedures, and the policy will apply across all of DTX's activities, including factoring, reverse factoring, and other financial products. When new business activities are introduced, the KYC/AML policy will be adapted accordingly.

The terms defined and used in this Chapter should be understood solely in the context provided here. To avoid confusion, it is emphasized that the definitions in this Chapter do not apply to similar terms in other Chapters.

Definitions

In accordance with the RBI guidelines, in this Policy, the terms herein shall bear the meanings assigned to them below:

(j) "**Customer**" is defined as: (a). A Buyer that maintains an account and/or has a business relationship with DTX. (b)A Beneficial Owner

(ii) "**Beneficial Owner (BO)**" has the meaning as specified in the Prevention of Money-laundering (Maintenance of Records) Third Amendment Rules, 2023 as notified on 17th October, 2023 under Rule 9, sub-rule (3) ;

(iii) "**Money Laundering"** Section 3 of the Prevention of Money Laundering (PML) Act 2002 has defined the "offence of money laundering" as under: "Whosoever, directly or indirectly, attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime including its concealment, possession, acquisition or use and projecting or claiming it as untainted property shall be guilty of offence of money laundering".

(iv) **Non-Profit Organisation Non-Profit Organisation (for the purpose of this policy)** means any entity or organisation that is registered as a trust or a society under the Societies Registration Act, 1860 (21 of 1860) or any similar State legislation or a company registered under section 25 of the Companies Act, 1956 (1 of 1956) or an entity or organization constituted for religious or charitable purposes referred to in clause 15 of section 2 of the Income Tax Act, 1961(43 of 1961)

(v) **"Transaction"** means transactions executed on DTX and include: a) Opening of a customer id/Login id; b) Uploading on DTX platform an invoice / bill of exchange/ supporting document for the purpose of factoring; c) Creating, accepting, co-accepting, bidding, discounting or re-discounting a factoring unit. d) Entering into any fiduciary relationship; e) Any payment made or received through DTX platform, in whole or in part, for any contractual or other legal obligation; f) Establishing or creating a legal person or legal arrangement.

(vi) "**Suspicious Transaction**" means a transaction (as defined above), 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 PML Act, regardless of the value involved; or (b) appears to be made in circumstances of unusual or unjustified complexity; or (c) appears to have no economic rationale or bonafide purpose; or (d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;'.

(vii) "**Central KYC Records Registry (CKYCR)"** means an entity defined under Rule 2(1)(aa) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

(viii) "**Customer Due Diligence (CDD)"** means identifying and verifying the customer and the beneficial owner using 'Officially Valid Documents' as a 'proof of identity' and a 'proof of address'.

(ix) "**Customer identification"** means undertaking the process of CDD.

(x) "**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.

(xi) "**Simplified procedure**" means the procedure for undertaking customer due diligence in respect of customers, who are rated as low risk by DTX and who do not possess any of the officially valid documents. Simplified procedure is not undertaken for onboarding any customer by DTX because the senior management has permitted only full KYC for all the customers before onboarding on the DTX platform.

Operational Aspects

Officially Valid Document for KYC:

The following are "Officially valid document" (OVD) for the purpose of KYC:

- Driving licence
- Permanent Account Number (PAN) Card
- 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
- Letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number.

Customers or designated/ authorised officials of the customer, at their option, shall submit one of the OVDs for proof of identity and proof of address.

KYC Policy Guidelines

KPPL's KYC documentations would be synchronous with the KYC documentation done by Banks in adherence to the extant regulatory requirements.

Further to clarify, there are four key elements to the KYC guidelines as set out by RBI

(a) Customer Acceptance Policy;

(b) Customer Identification Procedures;

(c) Monitoring of Transactions; and

(d) Risk Management

Customer Acceptance Policy

With a view to conducting clean commercial business conforming to KYC norms and prevent the channels/products/services of DTX and/ or participants on DTX platform from being used as a channel for money laundering/ terrorist financing, DTX will exercise due care and caution in establishing customer relationships and in conducting transactions for the customers.

The main elements of the Customer Acceptance Policy are as follows:

The following aspects will be taken care of while accepting any person as a Customer:

(a) No account is on boarded or login is created in anonymous or fictitious/ benami name.

(b) No account is on boarded or login is created where DTX is unable to apply appropriate Customer Due Diligence (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 account and during the periodic updation is specified in the respective Standard Operating Process documents/ Relationship Initiation Forms/ such other documents related to various products.

(e) 'Optional'/additional information is obtained with the explicit consent of the customer after the account is on boarded or login is created.

(f) Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out in the Product Papers/ Standard Operating Process documents/ such other documents.

(g) Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.

(h) The approval authority for acceptance of a Politically Exposed Person (PEP) as a customer will be specified in the respective SOP/ Process Manuals.

(i) Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.

(j) Where an equivalent e-document is obtained from the customer, DTX shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).

(k) Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.

(l) Where DTX forms a suspicion of money laundering or terrorist financing, and it reasonably believes that performing the CDD process will tip-off the customer, it shall not pursue the CDD process, and instead file an STR with FIU-IND.

Customer Identification Procedure (CIP) and Customer Due Diligence (CDD) Procedure Customer Identification

Procedure (CIP) Situations Requiring Customer Identification: DTX shall undertake identification of Buyer in the following cases:

(a) On boarding any Buyer on DTX platform.

(b) When there is a doubt about the authenticity or adequacy of the Buyer identification data it has obtained.

(c) Where DTX has reason to believe that a Buyer is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand. Customer Due Diligence (CDD) by a competent third Party.

Where for the purpose of verifying the identity of customers at the time of on boarding a relationship, DTX relies on customer due diligence done by a third party, it will be subject to the following conditions:

(a) Necessary information of such customers' due diligence carried out by the third party is immediately obtained by DTX.

(b) Adequate steps are taken by DTX to satisfy that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.

(c) The third party is regulated, supervised, or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.

(d) The third party shall not be based in a country or jurisdiction assessed as high risk.

(e) The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with DTX.

While undertaking customer identification, DTX shall ensure that:

(a) Decision-making functions of determining compliance with KYC norms shall not be outsourced.

(b) The customers shall not be required to furnish an additional OVD, if the OVD submitted by the customer for KYC contains both proof of identity and proof of address.

(c) The customers shall not be required to furnish separate proof of address for permanent and current addresses, if these are different. In case the proof of address furnished by the customer is the address where the customer is currently residing, a declaration shall be taken from the customer about her/his local address on which all correspondence will be made by DTX.

(d) The local address for correspondence, for which their proof of address is not available, shall be verified through 'positive confirmation' such as acknowledgment of receipt of letter, telephonic conversation, visits to the place, or the like.

(e) In case it is observed that the address mentioned as per 'proof of address' has undergone a change, DTX shall ensure that fresh proof of address is obtained within a period of six months.

Customer Due Diligence (CDD) Procedure

'Due Diligence' includes establishing identity of the customer, and ascertaining certain information about the customer as considered appropriate and necessary for the nature of relationship with the customer. The extent of 'due diligence' carried out will depend on the risk perception of the customer.

The requirements of various documents and other information in respect of various types of customers are given in the following paragraphs.

(a) For Individuals

DTX shall obtain the following documents from an individual for the purpose of CDD:

(i) One certified copy of any of the OVDs containing details of identity and address as specified below;

- Driving licence/ Permanent Account Number (PAN) Card/ 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 / Letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number.

(ii) One recent photograph.

The detailed list of KYC documents to be collected from individuals are specified in the Annexures of these Procedural Guidelines.

(b) For Sole Proprietary firms

For on boarding a participant/Customer which is a sole proprietary firm, a certified copy of an OVD as specified above containing details of identity and address of the individual (proprietor) shall be obtained by DTX.

In addition to the above (PAN card is also required if OVD given is other than PAN card), any two of the following documents as a proof of business/ activity in the name of the proprietary firm shall also be obtained:

- Registration certificate including Udyam Registration Certificate (URC) issued by the Government
- Certificate/licence issued by the municipal authorities under Shop and Establishment Act.
- Sales and income tax returns.
- CST/VAT/GST certificate.
- Certificate/registration document issued by Sales Tax / Service Tax/Professional Tax authorities.
- Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
- 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.
- Utility bills such as electricity, water, and landline telephone bills. In cases DTX is satisfied that it is not possible to furnish two such documents, it may accept only one of those documents as proof of business/activity. DTX will ensure to 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.

The detailed list of KYC documents to be collected from Sole Proprietorship Firm are specified in the **Annexure- I** of these Procedural Guidelines.

(c) For Legal Entities

For on boarding/ creating login of an **unlisted public/ private company**, one certified copy of each of the following documents shall be obtained by DTX:

- Certificate of incorporation.
- Memorandum and Articles of Association.
- A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf.
- PAN Number of the company.
- Beneficial ownership declaration (for 10% and above)

- the names of the relevant persons holding senior management position; and
- the registered office and the principal place of its business, if it is different.
- Officially valid documents in respect of managers, officers or employees holding an attorney to transact on its behalf as listed below:

  - Driving licence/ Permanent Account Number (PAN) Card/ 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 / Letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number.

The detailed list of KYC documents to be collected from unlisted public/ private company are specified in the **Annexure- IV** of these Procedural Guidelines.

For on boarding/ creating login of a **listed public company/ subsidiaries of listed company**, one certified copy of each of the following documents shall be obtained by DTX:

- Certificate of incorporation.
- Memorandum and Articles of Association.
- A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf.
- PAN Number of the company.
- the names of the relevant persons holding senior management position; and
- the registered office and the principal place of its business, if it is different.
- Officially valid documents in respect of managers, officers or employees holding an attorney to transact on its behalf as listed below:
  - Driving licence/ Permanent Account Number (PAN) Card/ 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 / Letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number.

The detailed list of KYC documents to be collected from listed public company/ subsidiaries of listed company are specified in the **Annexure- V** of these Procedural Guidelines.

For on boarding/ creating login of a partnership firm, one certified copy of each of the following documents shall be obtained by DTX:

(a) Registration certificate, if registered, else other existence proof.
(b) Identity and address proof of partners if firm is unregistered.
(c) Partnership deed.
(d) PAN number of partnership firm
(e) Officially valid documents in respect of the person holding an attorney to transact on its behalf.
(f) Beneficial ownership declaration (for 10% and above).
(g) the name of all partners
(h) the registered office and the principal place of its business, if it is different.

The detailed list of KYC documents to be collected from partnership firm are specified in the **Annexure- II** of these Procedural Guidelines.

For on boarding/ creating login of a Limited Liability Partnership firm, one certified copy of each of the following documents shall be obtained by DTX:

(a) Certification of Incorporation
(b) Address proof in the name of LLP if different from COI
(c) LLP Agreement (d) PAN number of LLP
(d) Officially valid documents in respect of the signatories
(e) Form 3 (if any changes in LLP agreement)
(f) Beneficial ownership declaration (for 10% and above).

The detailed list of KYC documents to be collected from Limited Liability Partnership are specified in the **Annexure- III** of these Procedural Guidelines.

For on boarding/ creating login of a Trust, one certified copy of each of the following documents shall be obtained by DTX:

(a) Registration certificate.
(b) Trust deed.
(c) Officially valid documents in respect of the person holding a power of attorney to transact on its behalf.
(d) Beneficial ownership declaration (beneficiaries with 10% or more interest in the trust or any other natural person exercising ultimate control of ownership)
(e) Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf
(f) the names of the beneficiaries, trustees, settlor and authors of the trust
(g) the address of the registered office of the trust; and
(h) list of trustees and documents, as specified in Section 16, for those discharging the role as trustee and authorised to transact on behalf of the trust.

The detailed list of KYC documents to be collected from Trust are specified in the **Annexure-VI** of these Procedural Guidelines.

For opening an account of an **unincorporated association or a body of individuals**, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

(a) Resolution of the managing body of such association or body of individuals
(b) Permanent Account Number or Form No. 60 of the unincorporated association or a body of individuals
(c) Power of attorney granted to transact on its behalf
(d) Documents, as specified in Section 16, relating to beneficial owner (having ownership of or entitlement to more than 15 %), managers, officers or employees, as the case may be, holding an attorney to transact on its behalf and
(e) Such information as may be required by the RE to collectively establish the legal existence of such an association or body of individuals.

Explanation: Unregistered trusts/partnership firms shall be included under the term ‘unincorporated association’.

Explanation: Term ‘body of individuals’ includes societies.

The detailed list of KYC documents to be collected from unincorporated association or a body of individuals are specified in the **Annexure- VII** of these Procedural Guidelines.

For opening account of a customer who is a juridical person (not specifically covered in the earlier part) such as societies, universities and local bodies like village panchayats, etc., or who purports to act on behalf of such juridical person or individual or trust, certified copies of the following documents or the equivalent e-documents thereof shall be obtained and verified:

(a) Document showing name of the person authorised to act on behalf of the entity

(b) Documents, as specified in Section 16, of the person holding an attorney to transact on its behalf and

(c) Such documents as may be required by the RE to establish the legal existence of such an entity/juridical person.

Enhanced Due Diligence Procedure

Enhanced Due Diligence Additional due diligence measures undertaken over and above the basic due diligence can be termed as 'Enhanced Due Diligence'.

These measures could be obtaining documents in addition to the essential documents as mandated e.g. Income Tax Returns, more than one ID Proof, GST Returns, Financial Statements, etc.; inquiries with customers/ vendors; verification on CIBIL/ ROC and such other websites, gathering more detailed information for customer profile, etc. Such measures will be adopted for high risk customers as per RBI guidelines. Besides, for certain customers like Politically Exposed Persons, who are considered to pose very high risk, intensified Enhanced Due Diligence will be required. This could be in the nature of researching for various information available on such a customer in public domain, media, etc.; ascertaining more detailed information about the customer, various activities and associations of the customer, etc. Other EDD measures like enhanced level of transaction monitoring for high-risk customers can be undertaken for customers who fall in the high-risk category post the exercise of customer risk categorisation. EDD on existing accounts may also be conducted if required when AML alerts are generated as a part of the transaction monitoring process, or if a fraudulent angle is suspected, or any other development in the account/ relationship where warranted.

Enhanced Due Diligence (EDD) for non-face-to-face customer onboarding

Following EDD measures shall be undertaken by DTX for non-face-to-face customer onboarding:

(a) In case DTX has introduced the process of V-CIP, the same shall be provided as the first option to the customer for remote onboarding. It is reiterated that processes complying with prescribed standards and procedures for V-CIP shall be treated on par with face-to-face CIP for the purpose of this Policy.

(b) In order to prevent frauds, alternate mobile numbers shall not be linked post CDD with such accounts for transaction OTP, transaction updates, etc. Transactions shall be permitted only from the mobile number used for account opening. DTX shall have a Board approved policy delineating a robust process of due diligence for dealing with requests for change of registered mobile number.

(c) Apart from obtaining the current address proof, DTX shall verify the current address through positive confirmation before allowing operations in the account. Positive confirmation may be carried out by means such as address verification letter, contact point verification, deliverables, etc.

(d) DTX shall obtain PAN from the customer and the PAN shall be verified from the verification facility of the issuing authority.

(e) First transaction in such accounts shall be a credit from existing KYC-complied bank account of the customer.

(f) Such customers shall be categorized as high-risk customers and accounts opened in non-face to face mode shall be subjected to enhanced monitoring until the identity of the customer is verified in face-to-face manner or through V-CIP.

Sharing KYC information with Central KYC Records Registry (CKYCR): Once permitted by RBI, DTX will apply for registration with CKYCR and will comply with the related norms regarding KYC data to upload and share the same with other permitted entities.

The following procedures would be followed in this regard:

(a) Search and download of KYC record: When KYC of a TReDS participant (e.g., Supplier/ Buyer) is required to be done, DTX will search for the same on CKYCR by entering CKYC identifier or by entering a valid identity type and number to check if the participant's records are already registered/uploaded with CKYCR. If the records exist in CKYCR, the same will be downloaded by entering CKYC identifier and an authentication factor (viz., date of birth/ date of incorporation) and kept on record. Further, when any entity updates the KYC record of any registered participant, an email notification would be received from CKYCR and DTX will download the updated data/documents for its record.

(b) Update of KYC record: In case of change of existing information of a participant in the records of Central KYC Registry, DTX will initiate an update request. The updated data along with scanned copy of the latest KYC record of the participant will be uploaded on the Central KYC Registry portal. CKYCR may send the notification to all linked entities who have uploaded data in past related to that particular participants who can save it for their record.

(c) Multiple correspondence addresses: Central KYC Registry has the facility to link the multiple correspondence addresses of the participant. The participant can submit the details for multiple addresses to DTX and if required, it will initiate the update request on the Central KYC application.

(d) Upload of KYC Record: Where DTX does the KYC, the data captured as per the prescribed common KYC template will be uploaded by DTX on the Central KYC portal along with the scanned copy of the supporting documents (PoI/PoA) via bulk upload or individual data entry as per procedure defined by CKYCR. For an individual record, the signature and photograph will be cropped separately and uploaded as per the specification provided by CKYCR. E) Processing of Records at Central KYC Registry De-duplication: The KYC data uploaded on the Central KYC Registry will go through de-duplication process on the basis of the demographics (i.e. customer name, maiden name, gender, date of birth, mother's name, father/spouse name, addresses, mobile number, email id etc.) and identity details submitted. DTX will take the following actions basis the response from CKYCR:

- Where an exact match exists for the KYC data uploaded, DTX will be provided with the KYC identifier by CKYCR and it will download the KYC record.
- Where there is no match for the KYC data uploaded, DTX will be provided with unique KYC identifier for the uploaded record which will be communicated to Participants.
- Where a probable match exists for the KYC data uploaded, DTX will resolve the same basis the documents and information received from participants. The resolution would be to classify the records either as "Exact Match" or "No Match". ID Match: The identity detail will be matched by the Central KYC Registry with the ID issuing authority wherever feasible and mechanism is established. Where the ID is not confirmed by the ID issuing authority or the name does not match with the records therein, the record will not be accepted by the Registry and sent back to DTX for verification and uploading again with the updated details. DTX will verify the records and may again upload the same basis findings as per process mentioned above.

On-going Due Diligence

DTX 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.

Periodic Updation

DTX shall carry out periodic updation of KYC of its customers based on the risk categorisation prescribed for each customer. For low risk customer, updation will be done every 10 years; for medium risk customers, updation will be done every 8 years and for high risk customers, updation will be done every 2 years.

Monitoring of Transactions

Ongoing monitoring of transactions is an essential element of effective KYC procedures. DTX will endeavour to develop systems, based on its understanding of the normal and reasonable activity of the customer, to facilitate identification of transactions that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk sensitivity of the customer. Apart from the factors that call for close monitoring following types of transactions shall necessarily be monitored: a) Large and complex transactions including 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.

Transaction Monitoring

The extent of monitoring shall be aligned with the risk category of the customer.

High risk accounts shall be subjected to more intensified monitoring. Norms for Transaction Monitoring: The following broad norms will be observed/ kept in view by DTX for monitoring transactions:

(a) Special attention will be given to transactions of following nature: (i) Unusually large transactions (ii) Unusual patterns which have no apparent economic or visible lawful purpose. (iii) Multiple transactions so structured that individual transactions are just below the thresholds for reporting.

(b) Different threshold limits may be prescribed for various categories of transactions, and particular attention will be paid to the transactions which exceed these limits.

(c) High-risk customers may have to be subjected to intensified monitoring. Key indicators will be set for such customers, taking note of the background of the customer. (iv) Any other risk factors.

Risk Management

Various risks faced by DTX include the risks of Money Laundering and Financing of Terrorism associated with its customers. In view of large number of customers and volume of transactions required to be handled it is important to adopt risk based approach so that the monitoring mechanisms can effectively mitigate these risks with available resources at disposal.

Risk Based Approach:

DTX shall adopt a risk-based approach for managing risks of Money Laundering and Financing of Terrorism associated with its customers, in accordance with RBI directions, which includes the following:

(a) Customers shall be categorised as low, medium and high risk category, based on the assessment and risk perception of DTX in due course.

(b) Risk categorisation shall be undertaken in due course 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.

(c) DTX shall follow a system of periodic review of risk categorisation of accounts, with such periodicity being at least once every year, and the need for applying enhanced due diligence measures.

DTX will adopt an approach that various other information collected from different categories of customers relating to the perceived risk, is non-intrusive and the same is specified in the respective Process Manuals/ Product SOP.

Obligations Under Prevention Of Money Laundering (PML) Act 2002

Section 12 of PML Act 2002 issued by the Central Government, Ministry of Finance, Department of Revenue vide its notification dated July 1, 2005 and subsequent notifications, places certain obligations on every Banking company, financial institution and intermediary, which include: i) Maintenance of records of transactions ii) Information to be preserved iii) Maintenance and preservation of record DTX wish to comply with the above in following manner:

Record Management

DTX will retain the records related to DTX business at least for the period that is higher of the periods as stipulated under PMLA/ PMLR and any other law applicable in the specific case.

DTX will adopt the following approach as per various statutory provisions and regulatory guidelines in respect of maintenance, preservation and reporting of customer account information, with reference to provisions of PML Act and Rules.

(a) DTX will maintain all necessary records of transactions between DTX and the customer, for at least five years from the date of transaction related to DTX business;

(b) DTX shall preserve the records related to DTX, pertaining to the identification of the customers and their addresses obtained while on boarding/creating login and during the course of business relationship, for at least five years after the business relationship is ended;

(c) DTX shall make available the identification records and transaction data related to DTX to the competent authorities upon request;

(d) DTX will have appropriate system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005);

Information to be preserved

DTX shall maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:

(a) the nature of the transactions;
(b) the amount of the transaction and the currency in which it was denominated;
(c) the date on which the transaction was conducted; and
(d) the parties to the transaction.

DTX will have appropriate 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; (g) DTX shall maintain records of the identity and address of the customer, and records in respect of transactions (related to DTX) referred to in Rule 3 in hard or soft format.

Retention Period

The following document retention terms shall be observed

(a) All necessary records on transactions, shall be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed thereunder as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.

(b) Records on client identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence shall also be kept for the same period.

(c) In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they shall be retained until it is confirmed that the case has been closed.

Quoting of PAN

DTX will obtain and verify Permanent account number (PAN) of customers while undertaking transactions as per the provisions of Income Tax Rule 114B as applicable and, as amended from time to time. Form 60 shall be obtained from persons who do not have PAN.

Organisational Set-up

The Board of Directors and the senior management of DTX have the responsibility to ensure that the DTX's control processes and procedures are appropriately designed and implemented and are effectively operated to reduce the risk of the DTX being used in connection with money laundering or terrorist financing. As per the provisions of the Prevention of Money Laundering Act, Reporting Entities like DTX are required to entrust responsibilities for implementation of statutory provisions contained in the PMLA and PMLR with a whole-time Director, and a senior Executive. The details of the aforesaid personnel will be provided in the website of DTX from time to time.

Hiring of Employees and Employee training

(a) Adequate screening mechanism, including Know Your Employee / Staff policy, as an integral part of their personnel recruitment/hiring process shall be put in place.

(b) DTX shall endeavour to ensure that the staff dealing with / being deployed for KYC/AML/CFT matters have: high integrity and ethical standards, good understanding of extant KYC/AML/CFT standards, effective communication skills and ability to keep up with the changing KYC/AML/CFT landscape, nationally and internationally. DTX shall also strive to develop an environment which fosters open communication and high integrity amongst the staff.

(c) On-going employee training programme shall be put in place so that the members of staff are adequately trained in KYC/AML/CFT policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in KYC/AML/CFT policies of DTX, regulation and related issues shall be ensured.

14. GRIEVANCE REDRESSAL MECHANISM

The overall Grievance Redressal mechanism of DTX would be multilevel and would ensure timely and correct resolution of each complaint/query/grievance.

Timely and self-help MIS/data points would be made available to enable the participants to have the better visibility of transactions. Further, all TAT/ cut offs and SLA would be clearly defined in the agreements with respective stakeholders. It would help to proactively address the possible grievances and complaints to the extent possible.

However, to address any unresolved query/complaint, Grievance Redressal mechanism would be put in place by KPPL which would comprise of following levels:

However, to address any unresolved query/complaint, Grievance Redressal mechanism would be put in place by KPPL which would comprise of following levels:

Escalation Level	Composition
4th Level	Designated Director
3rd Level	DTX Principal officer
2nd Level	DTX Nodal officer
1st Level	Grievance Redressal Cell

Self Help Level:

DTX Portal: Transaction work flow would be available on login to each participant which would show the present status of each factoring unit to respective stakeholders. This would help the supplier and buyer along with other stakeholder to know the exact status of transaction at given point.

System MIS & Reports: There would be multiple MIS available at login portal of Buyer / Supplier / Financier to ensure that all relevant and necessary information is available. These MIS would help each stakeholder resolve certain basic issues at their end only without involving DTX staff.

Above mentioned Grievance Redressal mechanism has been further detailed out in the following para:

Stage 1: Grievance Redressal Cell

Grievance Redressal Cell would be a central function. This team would be based at corporate office in Bengaluru which will handle customer complaints and queries for which the requests can be received by:

- E mail
- Phone Call
- Through Portal login access
- Physical Letters and Communication

These queries / complaints / MIS request would be assigned unique service reference on each instance and would be reverted within agreed service level TAT's as per DTX Processes.

This level of grievance Redressal would help support stakeholders in getting the real time status of transactions, relevant MIS's, necessary information pertaining to transactions. This level would help support most of the routine client queries, complaints and Grievances.

TAT: The customer query would be responded within 7 working days from receipt of query/complaint from stakeholders. All queries received after 2 PM on each working day would be treated as received by KPPL on the next working day.

Stage 2: DTX Nodal officer

2nd Level of grievance Redressal would be DTX Nodal officer. All stakeholder queries/complaints / issues which are not resolved at Grievance Redressal Cell level would get escalated to the respective Nodal Officer as per the agreed TAT.

TAT: The customer query resolution should be responded within 7-15 working days from escalation of query/complaint from customer support desk or the stakeholder/ complainant. All queries received after 2 PM on each working day would be treated as received by KPPL on the next working day.

Stage 3: DTX Principal officer

All those issues which are not addressed by first and second support level would get escalated to DTX Principal officer.

TAT: The customer query resolution should be responded within 21 working days from escalation of query/complaint from Principal Officer or stakeholder/ complainant. All queries received after 2 PM on each working day would be treated as received by KPPL on the next working day.

Stage 4: DTX Designated Director

All those matters which are not resolved up till DTX Principal Officer to the satisfaction of stakeholders would be presented and escalated to Designated Director.

TAT: The customer query resolution would be addressed within 21 working days from escalation of query/complaint from Principal Officer or stakeholder/ complainant. All queries received after 2 PM on each working day would be treated as received by KPPL on the next working day.

15. RISK MANAGEMENT

The Reserve Bank of Indian ("**RBI**") has notified the Reserve Bank of India (Know Your Customer (KYC) norms / Anti-Money Laundering (AML) standards/Combating of Financing of Terrorism (CFT)/Obligation of banks) under PMLA Guidelines, 2002 (Hereinafter referred to as "**Guidelines**"). The provisions of these Guidelines shall apply to every Regulated Entity which is licensed, recognised or registered by RBI and also to the Regulated Entities authorized by it, to the extent specified.

KPPL being a Regulated Entity of RBI is required to comply with the provisions of the above Guidelines. In terms of Clause 2.1 of the aforesaid Guidelines, every Regulated Entity shall formulate an AML-CFT policy, which shall be duly approved by the Governing Body or by a committee to whom such power has been delegated by the Governing Body. However, the AML-CFT policy of Regulated Entity should be devised by adopting a Risk-Based Approach (RBA) to identify and assess the Money Laundering (ML) and Terrorist Financing (TF) risk to which the Regulated Entity is exposed. Accordingly, this policy is drafted to record the RBA adopted by DTX to fulfill the requirements as specified in the Guidelines and to formalize the AML -CFT Policy.

Objective

The primary thrust of this Policy is to enable DTX to adopt Risk-Based Approach (RBA) to identify and assess the Money Laundering (ML) and Terrorist Financing (TF) risk to which KPPL could be exposed, depending upon its nature of business and exposure to or involvement with certain types of clients, countries or geographic areas, products, services, transactions, or delivery channels, etc. and document the same.

<u>Assessment Methodology - Principles and Approach</u> Business Risk Assessment:

Identifying and Assessing business AML risks: The following risk factors, to the extent applicable and relevant, are critical while identifying and assessing the ML/TF risks:

a. its type of customers and their activities
b. its business engagement with the countries or geographic areas
c. its products, services, delivery channels and activity profiles
d. the complexity and volume of its transactions
e. the development of new products and new business practices, including new delivery mechanisms,

channels and partners; and

f. the use of new or developing technologies for both new and pre-existing products

Customer Risk Assessment:

For every customer, risk- based assessment to be undertaken and risk rating to be assigned proportionate to the ML/TF risks. While undertaking the assessment, the following factors to be considered:

a. Identify the customer and Beneficial Owner, if any,
b. obtain information on the purpose and intended nature of the business relationship
c. obtain information on, and take into consideration, the nature of the customer's business
d. take into consideration the nature of the customer, its ownership, control structure, and its Beneficial Ownership, wherever applicable
e. take into consideration the nature of the customer's business relationship with KredX
f. take into consideration the customer's country of origin, residence, nationality, place of incorporation or place of business
g. take into consideration the relevant product, service or transaction; and
h. take into consideration the beneficiary of the policy including any Beneficial Owner of such beneficiary, if it is providing the customer with a life insurance or other similar policy.

LMH Risk Categorisation | Factors that may indicate high ML/TF risk

When assessing if there is a high risk of ML/TF in a particular situation, we shall take into account the below mentioned factors:

A) Customer Risk

B) Country or Geographic risk

C) Product, service, transaction or delivery channel risk factors

Periodic Updation:

The periodicity of updation from the date of opening of the account / last CDD updation for different categories of customers is as follows:

- Annually- for high-risk customers.
- Once in three years- for medium risk customers
- Once in every five years- for low-risk customers.

16. SYSTEM CERTIFICATIONS

Application, Infrastructure & processes would comply with the norms of ISO 27001:2022 and would be CISA audit certified.

Regular IS Audits will also be carried out for the platform and processes.

17. AUDIT PROCESS AND COMPLIANCE FRAMEWORK

DTX platform ensures that only genuine trade transactions, representing the actual supply of goods and services, are entered into the system.

It is the responsibility of the stakeholders to ensure that the documents uploaded on the DTX platform, which would function like an exchange, should be authentic. To assist in providing a reasonable assurance on the part of DTX, multiple check points and a robust internal audit framework to detect abnormal or suspicious transactions are in place. The internal audit department functions as an independent department and the head of the department would report to the overall Business Head of DTX. This independence of reporting would ensure that the internal audit department functions with the necessary autonomy.

The objective of the Internal Audit Policy manual is to provide a comprehensive practical guide and tool for the internal audit department of DTX to discharge their responsibilities as outlined in the Internal Audit Department manual as below.

The Audit Department has responsibility for creating, implementing and monitoring a system of internal control with a view to providing reasonable assurance to the management and stakeholders regarding robustness of processes. Effective discharge of this function will demand appropriate delegation to management and non-management employees, with the Audit Committee retaining oversight and approval. The audit department would take care of providing reasonable assurance regarding adequacy and compliance with the policies and processes of both internal control and administrative control within DTX.

Internal control comprises the plan of organization and all coordinate methods and measures adopted within DTX to safeguard itself, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

Administrative control includes the plan of organization and the procedures and records concerned with the decision processes leading to management's authorization of transactions. Such authorization is a management function directly associated with the responsibility for achieving the objectives of the organization and is the starting point for establishing accounting control of transactions.

Accounting control comprises the procedures and records concerned with the safeguarding of assets and the reliability of financial records. Consequently, it is designed to provide reasonable assurance that transactions are executed in accordance with the board’s general or specific authorization; transactions are recorded as necessary to maintain accountability of assets and to permit the preparation of financial statements in conformity with generally accepted accounting norms; access to assets is permitted only in accordance with prescribed authorization; assets are properly reconciled, and appropriate action is taken with respect to any difference.

- Key Objectives of Audit Framework:

  Some of the key objectives of Internal Audit process are as below:

i. Internal audit department ensures that DTX transactions are processed in line with regulatory guidelines stipulated by Reserve bank of India and all statutory guidelines are being adhered to in each process step of DTX.
ii. Internal Audit department ensures that internal process and product guidelines stipulated by KPPL for DTX are being adhered to by all system participants and internal stakeholders.
iii. Internal Audit Department undertakes random audits on a sample basis to confirm that the factoring units uploaded on the exchange are authentic & based on genuine underlying transactions involving sale of goods or services.
iv. The internal audit department through System Audit ensures online surveillance capability which monitors positions, prices and volumes in real time so as to check system manipulation.
v. The Internal Audit department undertakes a regular/concurrent Audit of Credit Administration department where all the documents would be received for onboarding of supplier/buyer and Financier etc.

vi. The Internal Audit department undertakes an audit from process and products perspective on a regular interval to ensure that the overall process and products of DTX are robust and in line with regulatory guidelines and framework.

- Organizational Structure of Internal Audit Department at DTX:

The Internal Audit department conducts dual reporting, with administrative reporting to DTX and dotted-line reporting to the Audit Committee.

Audit Committee:

The Audit Committee would be a board level committee and will oversee audit functions at DTX.

- Audit Framework

The overall audit framework at DTX is divided into two modes: System-Led Control & Audit and the Internal Audit Division.

i. System-Led Control & Audit:

(k) Focuses on leveraging automated tools and technologies to monitor transactions, processes, and system integrity in real-time.
(l) Ensures adherence to regulatory and operational standards through automated checks and balances.
(m) Identifies anomalies, exceptions, and potential risks promptly through data-driven analysis.

ii. Internal Audit Division:

- Operates independently to provide an objective evaluation of processes, controls, and governance structures.
- Conducts in-depth audits of various business units, including compliance checks, process efficiency evaluations, and fraud investigations.
- Ensures alignment with internal policies and external regulatory requirements through periodic reviews and stakeholder reporting.

- IT Systems Audit / System Development Stage & Changes In The System

IT Systems Audit, outlined key focus areas related to the System Development Stage and Changes in the System to ensure compliance, efficiency, and security.

Following high-level focus areas to ensure compliance, efficiency, and alignment with internal objectives:

i. Ensuring requirements are clearly defined and aligned with business goals.
ii. Comprehensive evaluation of technical, financial, and operational feasibility during system development stages.
iii. Documentation and formal approval of all change requests for traceability and accountability.
iv. Identifying potential risks and implementing strategies to minimize their impact.
v. Ensuring changes are executed with robust access controls to prevent unauthorized modifications.
vi. Evaluating the success of implemented changes against predefined performance indicators.
vii. Maintaining detailed, tamper-proof logs to ensure traceability and support compliance.

viii. Validating processes and changes against applicable regulatory requirements.

- Internal Audit of Settlement Process

i. The Internal Audit department undertakes continuous audit of the overall settlement process and ensures authenticity and correctness of final settlement files and relevant credit and debit entries.
ii. Internal audit team checks the file generated against each individual entry on a sample basis. This would be checked to ensure that correct debits and credit entries are processed.
iii. Internal audit team checks the account numbers of DTX participants with a file and the same would be confirmed on a sample basis. Account numbers on the settlement files would be test checked with the transactional data.

iv. Overall system Audit trail of a few cases would be checked by the internal audit team from the beginning (transaction initiation) to the end (settlement) and any inconsistencies in the same would be highlighted in the internal audit report to management.
v. End-to -end closure of the failures would be examined and changes in the factoring unit post its closure would be checked by the internal audit team.
vi. Draft audit report file would be sent to the business head and IT head of DTX and responses would be solicited on the error and omission or deviations from the standard processes.
vii. Final observations which are open would be taken up by relevant stakeholders for course corrections.

- Internal Audit Department Policies

The following outlines the high-level policy for the DTX Internal Audit Department. The detailed policies will be subject to approval by the Audit Committee of the Board. The internal audit team will adhere to these policies while conducting audits.

i. Policy Review and Amendments

As the business evolves and operational experience is gained, any necessary revisions to the policies will be discussed with the Business Head and Leadership team at DTX.

Any proposed changes to these policies can only be approved by the Audit Committee of the Board or the Board of Directors. All changes, once approved, will be documented in writing for clarity and reference.

ii. Training and Personal Conduct

The auditor and audit personnel will undergo adequate training and maintain proficiency in their areas of responsibility and in following the generally accepted auditing standards. Audit personnel will maintain the confidentiality of information acquired through audits and examinations.

Audit personnel will not engage in activities or relationships that will impair the independence or objectivity of audits. Audit personnel will not engage in activities that conflict with the interests of DTX exchange.

iii. Operating Policies

Audits will be conducted by evaluating the control system and by testing the DTX's records, procedures, and controls to determine if they meet industry standards, comply with DTX policy, and fulfil legal and regulatory requirements. In addition, audit procedures will include testing of procedures and control systems for weaknesses. If weaknesses are found, the auditor will make appropriate recommendations for strengthening DTX controls or changing the procedures.

Audits will be performed with absolute independence and with proper control over audit work. Friendships, personal relations, reputations, influence, or other factors must not be allowed to alter the scope or outcome of the audit.

Auditors must maintain an adequate and accurate system of work papers to facilitate the following:

- Preparation of audit reports for the Audit Committee, executive management, and DTX staff.
- To substantiate findings and recommendations contained in audit reports and to support conclusions regarding the systems of control.
- To provide evidence of audit work performed by the Audit Department. The Audit Department itself may be audited by an independent external auditor. Internal audit work papers are a major factor in any outside audit.

There must be proper supervision of persons performing audits and proper review of work performed.

A central part of each audit will be a follow-up of previous audits. Corrective actions to comply with previous recommendations and to correct previous deficiencies should be in place when the follow-up audit is conducted. To the extent possible, internal and external audits would be cooperative ventures to minimize unnecessary duplication of effort.

The Auditing Department will evaluate significant changes in the systems and services and major modifications to old systems before they become operational.

iv. Reporting Policies

Audit reports will be prepared regarding the scope and results of each audit performed by the Department. These reports will include corrective action recommendations regarding significant (1) internal control deficiencies and weaknesses, and (2) deviations from legal, regulatory, and DTX policy requirements.

Each audit report shall contain an opinion concerning the overall adequacy of controls and operational procedures. When an adverse opinion is expressed, the report shall contain a statement regarding the exposure to DTX if proper corrective action is not taken.

Audit reports will contain only such statements of fact as can be substantiated in the auditor's work papers.

Audit finding and recommendations will be reviewed with the supervisor in charge of the audited function before the final report is circulated. The final report will be issued as soon as reasonably possible after the audit is completed. The unit or function manager is required to provide written responses to all audit reports within the timelines stipulated in the Board approved policy.

18. BUSINESS CONTINUITY AND DR PLAN

A robust BCP and Disaster Recovery (DR) plan is established, aligned with industry best practices to effectively address various contingency scenarios. The infrastructure at the primary data centre features High Availability architecture, incorporating redundant systems designed to maintain uninterrupted operations.

To strengthen business resilience, the organization has implemented a distributed operational model where processing teams are stationed across multiple locations, supported by designated intercity BCP sites. Furthermore, the secure remote working infrastructure enables teams to seamlessly continue operations from any location, ensuring business continuity during disruptive events.

IT Systems at DTX

Data Protection & Security

The digital solution is a web-based platform, designed to provide comprehensive access for Buyers, Suppliers, Financiers, and other related parties over the Internet. The architecture allows for seamless connectivity with management systems of Buyers, Suppliers, and Financiers, enabling smooth data exchange and collaborative interactions.

However, the inherent advantages of digital accessibility and system interoperability simultaneously introduce potential cybersecurity challenges. The open nature of web-based platforms creates opportunities for unauthorized access, potentially exposing system vulnerabilities to malicious actors. Consequently, establishing robust protective mechanisms becomes a critical priority for maintaining the integrity and confidentiality of shared information.

This section outlines the comprehensive security framework developed to safeguard the platform's digital infrastructure, ensuring stringent protection of sensitive data and maintaining the highest standards of information security across all interaction points.

Security Considerations Infrastructure Level Security

The platform's architectural design incorporates advanced security measures, including IDS/IPS systems, multi-factor authentication, and strategic firewalls. These multilayer network safeguards create a resilient infrastructure hardened against potential external cybersecurity threats.

Data at Rest

The platform implements comprehensive encryption mechanisms for data at rest (databases and object storage buckets), utilizing industry-standard encryption protocols. Advanced data encryption techniques are applied at the storage layer, ensuring sensitive information remains protected and inaccessible to unauthorized entities.

Sensitive Data Handling

Sensitive data, such as user passwords, will be securely stored using one-way hash encryption, enabling comparison without revealing the original information.

Data in Motion

All data transmission leverages robust encryption protocols, including HTTPS and SFTP with TLS v1.1 and v1.2, ensuring secure communication channels that protect information from interception and unauthorized access during transmission across network infrastructures.

System Integration Approaches

The platform supports comprehensive integration methodologies, enabling seamless connectivity through RESTful API interfaces and secure file-based transfers via SFTP. These integration mechanisms facilitate direct system-to-system interactions with Buyers' and Suppliers' Enterprise Resource Planning (ERP) systems and Financiers' platforms, ensuring efficient and secure data exchange across different organizational ecosystems.

Financiers' Platform Integration Capabilities:

The system enables complete or partial integration with Financiers' platforms, supporting functionalities as required, including detailed factoring unit information sharing, customized data transmission, automated bidding processes, bid confirmation tracking, general ledger entry submissions, and proactive settlement detail notifications.

BUYER AND SUPPLIER ERP INTEGRATION CAPABILITIES:

The system enables complete or partial integration with Buyer and Supplier Enterprise Resource Planning (ERP) systems as required, supporting functionalities including invoice factoring uploads, automated factoring unit acceptance, beneficiary book transfers, and comprehensive settlement status reporting.

A comprehensive technical specification document will be provided for the DTX platform, providing detailed interface and message specifications to facilitate seamless interactions for Buyers, Suppliers, and Financiers.

19. LEGAL AND DOCUMENTATION REQUIREMENT

This chapter outlines the legal and documentation requirements for participating in the Trade Receivables Discounting System (TReDS) on the DTX platform. The objective is to ensure that all transactions are conducted in accordance with applicable laws, regulations, and industry best practices. Compliance with these requirements is critical to maintaining the integrity, transparency, and efficiency of the TReDS system.

The legal framework governing the TReDS platform is based on the **Payment and Settlement Systems Act, 2007**, and the guidelines issued by the **Reserve Bank of India (RBI)**. In addition to these, other relevant regulations, including those governing MSMEs, KYC, and financial transactions, must be adhered to by all participants on the DTX platform. The participants, including MSMEs, buyers, and financiers, must complete the Know Your Customer (KYC) process as per the RBI's guidelines and provide the necessary identification/ supporting documents.

To ensure the proper functioning of the TReDS platform and compliance with legal and regulatory obligations, the following documents must be submitted by participants during the onboarding process and throughout the lifecycle of the transaction:

For MSME Sellers:

- Business Registration Documents
- Trade Receivables Documents
- Master Seller Agreement
- Other Supporting Documents

For Financiers:

- Master Financier Agreement
- Other Supporting Documents

For Buyers:

- Business Registration Documents
- KYC Documents
- Tax Compliance Documents

- Master Buyer Agreement
- Other Supporting Documents

Validity and Periodic Re-Verification

- **Document Validity**: All documents submitted must remain valid throughout the onboarding and transaction periods. In case of any changes (such as change of address, company structure, or authorized signatories), the participants must promptly update the platform with the necessary documents.
- **Periodic Re-Verification**: As part of ongoing compliance, the KYC and other regulatory documents should be re-verified periodically as required by RBI guidelines and the platform's internal policies.

The legal and documentation requirements outlined in this chapter are essential to ensure the proper functioning of the TReDS platform and adherence to regulatory obligations. All participants are required to submit the necessary documents in a timely manner and ensure compliance with the legal framework governing trade receivables discounting. Non-compliance with these requirements may result in the rejection of registration or transactions on the platform.

20. BRAND USAGE GUIDELINES OF DTX

The "DTX" brand represents the official identity of the Trade Receivables Discounting System (TReDS) platform operated by KPPL. It is important that the DTX brand is used consistently and in accordance with established guidelines to maintain its integrity, reputation, and legal standing.It is the way KPPL differentiate itself from the others in the industry. KPPL has developed its own logo and taglines for its exchange platform, DTX, which are distinct from existing marketing materials and may be subject to patent or copyright protection.

- Authorized Users of the DTX Brand

  The DTX brand may only be used by parties who have received explicit authorization from KPPL. These authorized users include, but are not limited to:

  - **Registered MSME Sellers**: Micro, Small, and Medium Enterprises (MSMEs) participating in the TReDS platform.
  - **Financiers**: Financial institutions, banks, and other entities acting as financiers on the DTX platform.
  - **Buyers**: Corporate and government entities involved in trade receivables transactions.
  - **Platform Partners**: Third-party service providers and technology partners approved by KPPL to use the DTX brand for official purposes.

- Brand Elements

  The DTX brand identity is built around several key elements that must be used consistently and correctly:

  - **DTX Logo**: The official logo, including the DTX name and design elements, must be used according to the prescribed guidelines to ensure consistency.
  - **Tagline and Slogan**: Any official taglines or slogans associated with the DTX platform must be used accurately in communication materials.
  - **Color Palette and Typography**: Specific color schemes and typography have been designated to maintain uniformity in all branding materials. Only approved colors and fonts should be used.

- Usage Guidelines

  (a) Proper Usage

- The DTX brand should be used solely to represent the legitimate operation of the TReDS platform under the guidance of KPPL.
- All references to DTX in communications, advertisements, or promotional materials must be factual, accurate, and truthful, reflecting the nature and services of the platform.
- The DTX logo must be displayed clearly and without modification. It should not be altered, stretched, or distorted in any manner.
- Any written communication using the DTX name should adhere to KPPL's established tone, style, and language to maintain consistency.

(b) Prohibited Usage

The following actions are strictly prohibited in relation to the DTX brand:

- **Misrepresentation**: The DTX brand must not be used in a manner that could mislead or confuse the audience regarding the services, affiliations, or capabilities of the TReDS platform.
- **Unauthorized Commercial Use**: The DTX logo or branding elements cannot be used for commercial purposes, such as selling products, services, or goods, without explicit written consent from KPPL.
- **Modification**: The DTX brand elements, including the logo, tagline, color scheme, and other related materials, should not be altered, combined with other brands, or used in ways that compromise the integrity of the brand.

(c) Specific Brand Usage by KPPL/DTX Platform

- **Advertising by DTX/KPPL**: DTX will conduct advertising in accordance with ethical standards and regulatory conduct codes, avoiding negative publicity about other RBI-approved platforms. All advertisements will provide accurate, factual information and will avoid misleading or misrepresenting details.

- **Use of RBI's Brand Image**: When applicable, the DTX platform will reference the Reserve Bank of India (RBI) as the regulatory authority. Any mention of RBI will be limited to its role in sanctioning and approving the platform under applicable regulations, and will not extend to any other activities or promotions by KPPL.
- **Strategic Tie-ups with Rating Agencies**: To assist financiers in making informed decisions regarding buyers, the DTX platform may form partnerships with rating agencies. The platform may use the rating agency's brand in relation to the ratings of instruments, but only for this specific purpose.
- **Publishing Participant Names**: KPPL may publish the names and logos of registered participants (buyers, sellers, and financiers) in advertisements or on the platform's website to increase market visibility. However, the use of these names will be limited to their role on the DTX platform.

(d) Specific Brand Usage by Financiers

- **Use of RBI's Name**: Financiers may mention their registration on the DTX platform in their advertising materials when promoting their products. They may state that they are a registered participant of the DTX platform, which is authorized by RBI under the Payment & Settlement Systems Act. However, the reference should be limited to their authorized role on the platform.

▪ Brand Usage by All Participants (Buyers, Sellers, and Financiers)

- **Use of the DTX Brand Name and Image**: All participants (buyers, sellers, and financiers) on the DTX platform may use the DTX name and brand image in advertisements and on their websites, provided that such usage accurately reflects their involvement with the platform and does not exceed the scope of their authorized rights.

21. EMPLOYEE ONBOARDING PROCESS

Employee Onboarding

Onboarding employees at DTX requires a structured and compliant approach to ensure that all new hires are properly integrated into the organization, understand their roles, and are equipped with the necessary tools and knowledge to succeed in a regulated environment. Below is a framework for procedural guidelines to be followed during the onboarding process:

(a) Pre-Onboarding Preparations

- **Document Collection**: Ensure that all necessary documents from the employee are collected, such as identity proof, educational certificates, and previous employment details.
- **Compliance Verification**: Verify that the candidate complies with RBI regulations (including regulations related to TReDS) and standards, including background checks.
- **System Setup**: Prepare the employee's email ID, access to the company's internal systems, and any relevant software or tools they will need for their job.
- **Training Material Preparation**: Organize training materials that introduce the employee to TReDS processes, regulatory requirements, financial systems, and the company's specific operational workflows.

(b) Regulatory and Compliance Training

- **TReDS Overview**: Provide detailed training on the Trade Receivables Discounting System, including the role the company plays in the platform, how discounting works, and the legal and regulatory framework.
- **Compliance Policies**: Educate the new employee on internal and external compliance policies, including regulatory requirements from the Reserve Bank of India (RBI), and industry-specific rules governing TReDS.
- **Risk Management**: Introduce risk management protocols, anti-money laundering (AML) policies, KYC training, fraud prevention practices, and security measures to ensure compliance with financial regulations.

(c) System Access and Security

- **IT Setup**: Ensure the employee has all required access to internal systems, including email, TReDS platforms, and any necessary software.
- **Cybersecurity Training**: Provide cybersecurity awareness training, focusing on the company's data security protocols, password management, and the handling of sensitive financial information.
- Mandatory Info security training

Annexure I

List of KYC documents required for Proprietorship Firm

Proprietorship entity documents				
Sl no	**Details of the document**	**Seller**	**Buyer**	**Documents obtaine Yes (√) / No (X)**
1	Udyam Registration certificate	Mandatory	*Not mandatory*	
2	PAN	Mandatory	Mandatory	
3	GST Certificate* (If the GST certificate is unavailable, please obtain any utility bill, such as an electricity, water, or telephone bill as address proof of the entity)	Mandatory	Mandatory	
4	Any other registered/ office address other than mentioned in point no 3 above	*Not mandatory*	Mandatory	
5	Letter of authority / power of attorney (In case the proprietor assigns the authorisation to user)	*Not Mandatory*	Mandatory	
Documents of Authorised signatory, Maker and checker				
6	Pan Card	*Not Mandatory*	Mandatory	
7	Address Proof	*Not Mandatory*	Mandatory	
8	Photograph	*Not Mandatory*	Mandatory	

** Review the GST certificate or other relevant documents to determine whether the principal place of business and the registered office are the same or different. If they differ, ensure that appropriate address proof for the principal place of business is obtained.*

Annexure II

List of KYC documents required for Partnership firm

Partnership entity documents				
Sl no	**Details of the document**	**Seller**	**Buyer**	**Documents obtained Yes (√) / No (X)**
1	Udyam Registration certificate	Mandatory	*Not mandatory*	
2	PAN	Mandatory	Mandatory	
3	GST Certificate* (If the GST certificate is unavailable, please obtain any utility bill, such as an electricity, water, or telephone bill as address proof of the entity)	Mandatory	Mandatory	
4	Partnership deed and registration certificate (if any)	*Not Mandatory*	Mandatory	
5	List of all the partners	*Not Mandatory*	Mandatory	
6	Beneficial Owners Declaration	*Not Mandatory*	Mandatory	
7	Partnership Letter (Letter of authority/ power of attorney)	*Not Mandatory*	Mandatory	
Documents of Authorised signatory, Beneficial owner, Maker and checker				
8	Pan Card	*Not Mandatory*	Mandatory	
9	Address Proof	*Not Mandatory*	Mandatory	
10	Photograph	*Not Mandatory*	Mandatory	

** Review the GST certificate or other relevant documents to determine whether the principal place of business and the registered office are the same or different. If they differ, ensure that appropriate address proof for the principal place of business is obtained.*

Annexure III

List of KYC documents required for Limited Liability Partnership (LLP)

LLP entity documents				
Sl no	**Details of the document**	**Seller**	**Buyer**	**Documents obtained Yes (√) / No (X)**
1	Udyam Registration certificate	Mandatory	*Not mandatory*	
2	PAN	Mandatory	Mandatory	
3	GST Certificate* (If the GST certificate is unavailable, please obtain any utility bill, such as an electricity, water, or telephone bill as address proof of the entity)	Mandatory	Mandatory	
4	LLP Deed and registration certificate	*Not Mandatory*	Mandatory	
5	List of all the partners	*Not Mandatory*	Mandatory	
6	Beneficial Owners Declaration	*Not Mandatory*	Mandatory	
7	LLP resolution (specific/general)	*Not Mandatory*	Mandatory	
Documents of Authorised signatory, Beneficial owner, Maker and checker				
8	Pan Card	*Not Mandatory*	Mandatory	
9	Address Proof	*Not Mandatory*	Mandatory	
10	Photograph	*Not Mandatory*	Mandatory	

** Review the GSTcertificate or other relevant documents to determine whether the principal place of business and the registered office are the same or different. If they differ, ensure that appropriate address proof for the principal place of business is obtained*

Annexure IV

List of KYC documents required for Unlisted public companies and private limited companies

Company documents					
Sl no	**Details of the document**	**Seller**	**Buyer**	**Financier**	**Documents obtained Yes (√) / No (X)**
1	Udyam Registration certificate	Mandatory	*Not mandatory*	*Not mandatory*	
2	PAN	Mandatory	Mandatory	Mandatory	
3	GST Certificate* (If the GST certificate is unavailable, please obtain any utility bill, such as an electricity, water, or telephone bill as address proof of the entity)	Mandatory	Mandatory	Mandatory	
4	Certificate of Incorporation	*Not Mandatory*	Mandatory	*Not Mandatory*	
5	Memorandum of Association (MOA)	*Not Mandatory*	Mandatory	*Not Mandatory*	

6	Article of Association (AOA)	*Not Mandatory*	Mandatory	*Not Mandatory*	
7	Beneficial Owners Declaration	*Not Mandatory*	Mandatory	*Not Mandatory*	
8	Board Resolution (specific/ general)	*Not Mandatory*	Mandatory	*Not Mandatory*	
9	List of the people holding senior management position	*Not Mandatory*	Mandatory	*Not Mandatory*	
10	Certificate of authorisation (from RBI)	*Not Mandatory*	*Not Mandatory*	Mandatory	
Documents of Authorised signatory, Beneficial owner, Maker and checker					
11	Pan Card	*Not Mandatory*	Mandatory	*Not Mandatory*	
12	Address Proof	*Not Mandatory*	Mandatory	*Not Mandatory*	
13	Photograph	*Not Mandatory*	Mandatory	*Not Mandatory*	

** Review the GST certificate or other relevant documents to determine whether the principal place of business and the registered office are the same or different. If they differ, ensure that appropriate address proof for the principal place of business is obtained.*

Annexure V

List of KYC documents required for Listed companies and subsidiaries of Listed Companies

Company documents					
Sl no	**Details of the document**	**Seller**	**Buyer**	**Financier**	**Documents obtaine Yes (√) / No (X)**
1	Udyam Registration certificate	Mandatory	*Not mandatory*	*Not mandatory*	
2	PAN	Mandatory	Mandatory	Mandatory	
3	GST Certificate* (If the GST certificate is unavailable, please obtain any utility bill, such as an electricity, water, or telephone bill as address proof of the entity)	Mandatory	Mandatory	Mandatory	
4	Certificate of Incorporation	Mandatory	Mandatory	*Not Mandatory*	
5	Mem orandum of Association (MOA)	Mandatory	Mandatory	*Not Mandatory*	
6	Article of Association (AOA)	Mandatory	Mandatory	*Not Mandatory*	
7	Board Resolution (specific/ general)	Mandatory	Mandatory	*Not Mandatory*	
8	List of the people holding senior management position	Mandatory	Mandatory	*Not Mandatory*	
9	Certificate of authorisation (from RBI)	*Not Mandatory*	*Not Mandatory*	Mandatory	
Documents of Authorised signatory, Maker and checker					
10	Pan Card	*Not Mandatory*	Mandatory	*Not Mandatory*	
11	Address Proof	*Not Mandatory*	Mandatory	*Not Mandatory*	
12	Photograph	*Not Mandatory*	Mandatory	*Not Mandatory*	

** Review the GST certificate or other relevant documents to determine whether the principal place of business and the registered office are the same or different. If they differ, ensure that appropriate address proof for the principal place of business is obtained.*

Annexure VI

List of KYC documents required for Trusts

Trust documents				
Sl no	**Details of the document**	**Seller**	**Buyer**	**Documents obtained Yes (√) / No (X)**
1	Udyam Registration certificate	Mandatory	*Not mandatory*	
2	PAN	Mandatory	Mandatory	
3	GST Certificate* (If the GST certificate is unavailable,	Mandatory	Mandatory	

	please obtain any utility bill, such as an electricity, water, or telephone bill as address proof of the entity)			
4	Certificate of Incorporation*	*Not Mandatory*	Mandatory	
5	Memorandum of Association (MOA)*	*Not Mandatory*	Mandatory	
6	Article of Association (AOA)*	*Not Mandatory*	Mandatory	
7	Board Resolution/Letter of authority/ Power of attorney (specific/ general)	*Not Mandatory*	Mandatory	
8	List of the beneficiaries, trustees, settlor, protector, if any and authors of the trust	*Not Mandatory*	Mandatory	
9	Trust deed and Trust registration certificate	*Not Mandatory*	*Not Mandatory*	
Documents of Authorised signatory, Beneficial owner, Maker and checker				
10	Pan Card	*Not Mandatory*	Mandatory	
11	Address Proof	*Not Mandatory*	Mandatory	
12	Photograph	*Not Mandatory*	Mandatory	

** Review the GST certificate or other relevant documents to determine whether the principal place of business and the registered office are the same or different. If they differ, ensure that appropriate address proof for the principal place of business is obtained.*

** Point no 4,5 and 6 are applicable only if the trust is Company*

Annexure VII

List of KYC documents required for unincorporated association or body of individual and others

Trust documents				
Sl no	**Details of the document**	**Seller**	**Buyer**	**Documents obtained Yes (√) / No (X)**
1	Udyam Registration certificate	Mandatory	*Not mandatory*	
2	PAN	Mandatory	Mandatory	
3	GST Certificate* (If the GST certificate is unavailable, please obtain any utility bill, such as an electricity, water, or telephone bill as address proof of the entity)	Mandatory	Mandatory	
4	Certificate of registration	*Not Mandatory*	Mandatory	
5	Resolution of the managing body of such association or body of individuals	*Not Mandatory*	Mandatory	
6	Letter of authority/ Power of attorney (specific/general)	*Not Mandatory*	Mandatory	
Documents of Authorised signatory, Beneficial owner, Maker and checker				
10	Pan Card	*Not Mandatory*	Mandatory	
11	Address Proof	*Not Mandatory*	Mandatory	
12	Photograph	*Not Mandatory*	Mandatory	

** Review the GST certificate or other relevant documents to determine whether the principal place of business and the registered office are the same or different. If they differ, ensure that appropriate address proof for the principal place of business is obtained.*