# Nido – Know Your Customer & Anti Money Laundering Policy

**Nido Home Finance Limited (Formerly known as Edelweiss Housing Finance Limited)**
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## 1. SCOPE

### 1.1 APPLICABILITY

The Know Your Customer and Anti-Money Laundering (the **Policy**) applies to Nido Home Finance Limited (Formerly known as Edelweiss Housing Finance Limited) (hereinafter referred to as 'the Company' or '**Nido**').

This Policy requires the Company and each employee to:

- Protect the Company from being used for money laundering or funding terrorist activities.
- Conduct themselves in accordance with the highest ethical standards.
- Comply with the letter and the spirit of applicable Anti-Money Laundering (AML) Laws and
  the Company's KYC and AML procedures.
- Be alert to and escalate suspicious activity and not knowingly provide advice or other assistance to individuals who attempt to violate or avoid money-laundering laws, or this Policy; and
- Co-operate with the regulatory authorities and the Financial Intelligence Unit as per the applicable laws.

### 1.2 REVIEW OF POLICY

The Policy shall be reviewed annually or as and when required by the applicable rules and regulations. In case there is any variance between RBI Regulations and the policy, the RBI Regulations will prevail.

### 1.3 POLICY APPROVAL

The Policy and any significant changes therein shall be approved by the Board of Directors of the Company or Risk Working Group and Risk Management Committee.

## 2. BACKGROUND

Money laundering refers to concealing or disguising the origin and ownership of the proceeds from criminal activity, including drug trafficking, public corruption, terrorism, fraud, human trafficking, and organized crime activities. Terrorist financing is the use of legally or illegally obtained funds to facilitate terrorist activities. Money laundering and terrorist financing may involve a wide variety of financial products, services, and transactions including lending and investment products, and the financing of equipment and other property that could be used to facilitate terrorism and other criminal activity.

Almost any crime with a profit motive can create proceeds that can be laundered. For example, fraud, theft, illegal drug sales, organized crime, bribery, corruption of government officials and human trafficking can create illegal funds that a criminal seeks to convert into legitimate property without raising suspicion. Tax evasion and violations of fiscal laws can also lead to money laundering.

Generally, the money laundering process involves three stages: placement, layering and integration. As illegal funds move from the placement stage through the integration stage, they become increasingly harder to detect and trace back to the illegal source.

- **Placement** is the point where illegal funds first enter the financial system. The deposit of illegal cash into an account or the purchase of money orders, cashier's checks or other financial product is made. Non-bank financial institutions, such as currency exchanges, money remitters, casinos, and check-cashing services can also be used for placement.
- **Layering** After illegal funds have entered the financial system, layers are created by closing and opening accounts, purchasing and selling various financial products, transferring funds among financial institutions and across national borders. The criminal's goal is to create layers of transactions to make it difficult to trace the illegal origin of the funds.
- **Integration** occurs when the criminal believes that there are sufficient number of layers hiding the origin of the illegal funds to safely invest the funds or apply them towards purchasing valuable property in the legitimate economy.

To address money laundering, the Government of India and other countries around the world have made money laundering a crime and prescribed regulatory requirements for compliance by the banks, financial companies/ institutions, and other regulated/ reporting entities to prevent and detect money laundering. In India and in many other countries, it is a crime to engage in a transaction with knowledge that the funds involved in the transactions are from illegal activity. Knowledge includes the concept of 'willful blindness' (failure to make appropriate inquiries when faced with suspicion of wrongdoing) and 'conscious avoidance of knowledge'.

To prevent money-laundering in India and to provide for confiscation of property derived from, or involved in, money-laundering and related matters, the Parliament of India enacted the Prevention of Money Laundering Act, 2002 (PMLA), as amended from time to time. Further, necessary Notifications / Rules under the said Act have been published and amended by the Ministry of Finance, the Government of India.

As per the Prevention of Money Laundering Act 2002, the offence of Money Laundering is defined as: "Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering. "Proceeds of crime" means any property derived or obtained, directly or indirectly, by any person because of criminal activity relating to scheduled offence or the value of any such property."

The PMLA and rules notified thereunder impose obligation on banking companies, financial institutions (which includes chit fund company, a co-operative bank, a non-banking financial company and a housing finance institution) and intermediaries which includes a stockbroker, sub- broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser etc. to verify identity of clients, maintain records and furnish requisite information to Financial Intelligence Unit- India (FIU-IND). The PMLA defines money laundering offence and provides for the freezing, seizure, and confiscation of the proceeds of crime.

The Company has formulated the Policy in line with RBI Master Direction DBR.AML.BC. No.81/14.01.001/2015-16 dated February 25, 2016 updated May 10, 2021 and amended from time to time.

The KYC and AML Policy has been prepared considering the following 5 key elements:

a) To lay down the criteria for Customer Acceptance (CAP);
b) Risk Management.
c) To lay down criteria for Customer Identification Procedures (CIP);
d) To lay down Customer Due Diligence Process ( CDD)
e) To establish procedures for monitoring of transactions as may be applicable.
f) To develop measures for educating employees and customers in regard with KYC.

In compliance with the Prevention of Money Laundering (PML) Act, 2002, and its regulations, entities within a corporate group, particularly Reporting Entities (RE), must establish and implement group-wide policies and programs outlined in Chapter IV of the PML Act. These initiatives aim to address money laundering and terrorist financing risks and involve activities such as sharing information for client due diligence. Importantly, these group-wide efforts must include robust safeguards to ensure confidential and proper information use. Additionally, measures are required to prevent "tipping-off," the inadvertent disclosure of information that could compromise the effectiveness of money laundering or terrorist financing investigations.

## 3. DEFINITIONS

To KYC Norms, definition of various terms used are as under:

### 3.1 ADHAAR NUMBER

Aadhaar Number means “Aadhaar number", as defined in the Aadhaar and Other Law (Amendment) Ordinance, 2019, means an identification number issued to an individual under sub-section (3) of section 3 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016), and includes any alternative virtual identity generated under sub-section (4) of that section.

**3.2 Act” and “Rules”** means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto.

**<u>3.3 Authentication</u>**", in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.

## 3.4 BENEFICIAL OWNER (BO)

The beneficial owner for this purpose shall be determined as under—

(a) where the client is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means. Explanation.—For the purpose of this sub-clause—

1. Controlling ownership interest" means ownership of or entitlement to more than ten per cent. of shares or capital or profits of the company;
2. "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;

(b) where the client is a partnership firm, the beneficial owner is the natural person(s) who, whether acting alone or together, or through one or more juridical person, has ownership of entitlement to more than ten per cent. of capital or profits of the partnership or who exercises control through other means including the right to control the management or policy decision;

(c) where the client is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than ten per cent. of the property or capital or profits of such association or body of individuals;

(d) where no natural person is identified under (a) or (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;

(e) where the client is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with ten per cent. or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership

**<u>Exemption from identification of BO:</u>**

The exemption from BO identification has been aligned with that provided in the PML Rules, 2005, such that where the customer or the owner of the controlling interest is

(i) an entity listed on a stock exchange in India, or

(ii) is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions, or

(iii) is a subsidiary of such listed entities; it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such an entity.

### 3.5 CASH TRANSACTION REPORT (CTR)

CTR should include the following:

a) all cash transactions of the value of more than Rs.10 lakh or its equivalent in foreign currency;
b) all series of cash transactions integrally connected to each other which have been individually valued below Rs.10 lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds Rs.10 lakh or its equivalent in foreign currency.

### 3.6 CENTRAL KYC RECORDS REGISTRY (CKYCR)

Means an entity defined under Rule 2(1)(aa) of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

### 3.7 CERTIFIED COPY OF OVD

Shall mean comparing the copy of officially valid document so produced by the customer with the original and recording the same on the copy by the authorized officer of the regulated entity.

Provided that in case of Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs), as defined in Foreign Exchange Management (Deposit) Regulations, 2016 {FEMA5(R)}, alternatively, the original

certified copy of OVD, certified by any one of the following, may be obtained:

- authorized officials of overseas branches of Scheduled Commercial Banks registered in India.
- branches of overseas banks with whom Indian banks have relationships.
- Notary Public abroad.
- Court Magistrate.
- Judge
- Indian Embassy/Consulate General in the country where the non-resident customer resides.

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### 3.8 COUNTERFEIT CURRENCY TRANSACTION

All cash transactions, where forged or counterfeit Indian currency notes have been used as genuine. These cash transactions should also include transactions where forgery of valuable security or documents has taken place.

## 3.9 CUSTOMER

To KYC Norms, a 'Customer' is defined as a person who is engaged in a financial transaction or activity with a reporting entity and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

## 3.10 CUSTOMER DUE DELIGENCE (CDD)

Client Due Diligence (CDD)" means identifying and verifying the customer and the beneficial owner using reliable and independent sources of identification.

## 3.11 DESIGNATED DIRECTOR

Designated Director" means a person designated by the RE to ensure overall compliance with the obligations imposed under chapter IV of the PMLA Act and the Rules and shall include: -

a. the Managing Director or a whole-time Director, duly authorized by the Board of Directors, if the RE is a company,
b. the Managing Partner, if the RE is a partnership firm
c. the Proprietor, if the RE is a proprietorship concern
d. the Managing Trustee, if the RE is a trust
e. person or individual who controls and manages the affairs of the RE, if the RE is an unincorporated association or a body of individuals, and
f. a person who holds the position of senior management or equivalent designated as a 'Designated Director' in respect of Cooperative Banks and Regional Rural Banks.

Explanation. - To this clause, the terms "Managing Director" and "Whole-time Director" shall have the meaning assigned to them in the Companies Act, 2013.

**3.12 Digital KYC**-**-**As defined under Section 3 of PMLA Rules, Digital KYC capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorized officer of the Company. The Company shall not use the services of Business Correspondent (BC) for this process.

**3.13 Digital Signature"** shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000 (21 of 2000). [Presently, as per Information Technology Act, 2000, Digital Signature means authentication of any electronic record by a subscriber by means of an electronic method or procedure in accordance with the provisions of section 3 of the Information Technology Act, 2000.]

## 3.14 EQUIVALENT E-DOCUMENT

As defined u/s Section 3 of PMLA rules, an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per Rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016. Equivalent e-document has also been permitted for accounts of non-individual customer.

### 3.15 E-SIGN OR ELECTRONIC SIGNATURE

Are digital signatures that can be applied to electronic documents as per Section 5 of the Information Technology Act, 2000, which explains the legal recognition of electronic signatures. eSign service is an online electronic signature service that can facilitate an Aadhaar holder to forward the document after digitally signing the same provided the eSign signature framework is operated under the provisions of Second schedule of the Information Technology Act and guidelines issued by the controller.

### 3.16 KNOW YOUR CLIENT (KYC) IDENTIFIER

Means the unique number or code assigned to a customer by the Central KYC Records Registry.

### 3.17 KYC TEMPLATES

Means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities, as required by the relevant Rules.

### 3.18 NON-FACE-TO-FACE CUSTOMERS

Customers who open accounts without visiting the branch/ offices of the Company or meeting its officials.

### 3.19 OFFICIALLY VALID DOCUMENT (OVD)

Any document defined under rule 2(1) (d) of the PMLA Rules and the amendments thereto as officially valid document for verifying identity and proof of address of customers.

As on date, OVD means the passport, the Driving License, proof of possession of Aadhaar number or Aadhaar Card, the Voter's Identity Card issued by the Election Commission of India, Job Card issued by NREGA duly signed by an officer of the State Government, Letter issued by the National Population Register containing details of name and address.
Provided that,

**a.** where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique identification Authority of India. However, in cases where the customer has submitted proof of possession of Aadhaar number and offline verification cannot be carried out, the Company shall carry out verification through digital KYC process.

*Explanation: Customers, at their option, shall submit one of the six OVDs for proof of identity and proof of address*

**b.** Where the OVD or equivalent e-document furnished by the customer does not have updated address, the following documents shall be deemed to be OVD's or equivalent e- document for the limited purpose of proof of address: -

i. utility bill, which is not more than two months old, of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);

ii. Property or Municipal Tax receipt.

iii. Pension or family Pension Payment Orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;

iv. Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation; and

v. Documents issued by Government departments of foreign jurisdictions or letter issued by Foreign Embassy or Mission in India.

**c.** the customer shall submit OVD or equivalent e-document with current address within

period of three months of submitting the documents specified at 'b' above.

Note: *The above documents (deemed OVD) can only be accepted in cases where the current address of borrower has not been updated in OVD (Document issued by Govt. body). In such scenarios, Customer shall submit updated OVD (Address Proof) with current address within a period of three months of submitting the above documents. The Customer to ensure submission of OVD with updated address (for Address proof) within a period of 3 months of loan disbursal. The Company shall send across periodic communications to the Customers to submit the updated OVD.*

**d.** where the OVD or equivalent e-document presented by a foreign national does not contain the details of address, in such case the documents issued by the government departments of foreign jurisdictions and letter issued by the foreign Embassy or Mission in India shall be accepted as proof of address.

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

## 3.20 OFFLINE VERIFICATION

As defined in the Aadhaar and Other Law (Amendment) Ordinance, 2019, means the process of

## 3.21 ON GOING DUE DELIGENCE

verifying the identity of the Aadhaar number holder without authentication, through such offline modes as may be specified by the Aadhaar regulations. The Company is authorized to carry out Offline Verification of Aadhaar for identification using XML file or Aadhaar Secure QR Code.

Regular monitoring of transactions in accounts to ensure that they are consistent with their knowledge about the customers, customers' business and risk profile, the source of funds / wealth.

### 3.22 PERIODIC UPDATION

Means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the RBI, the PMLA and the Rules thereunder.

Any update in the documents submitted by the customer at the time of establishment of business relationship / account-based relationship and thereafter, as necessary; customers shall submit to the such documents within 30 days of the update to the documents.

### 3.23 PERSON

Person" has the same meaning assigned in the Income Tax Act and includes:

a. an Individual.
b. A Hindu Undivided Family.
c. A Company;
d. A Firm.
e. an association of persons or a body of individuals, whether incorporated or not;
f. every artificial juridical person, not falling within any one of the above persons (a to e); and
g. any agency, office or branch owned or controlled by any of the above persons (a to f).

### 3.24 POLITICALLY EXPOSED PERSONS

Politically Exposed Persons" (PEPs) are individuals who are or have been entrusted with prominent public functions by a foreign country, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials

a. Foreign PEPs: Individuals who are or have been entrusted with prominent public functions by a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials.
b. Domestic PEPs: Individuals who are or have been entrusted domestically with prominent public functions, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior

executives of state-owned corporations, important political party officials

c. International organization PEPs: persons who are or have been entrusted with a prominent function by an international organization, refers to members of senior management or individuals who have been entrusted with equivalent functions, i.e. directors, deputy directors and members of the board or equivalent functions
d. Family members are individuals who are related to a PEP either directly or through marriage or similar forms of partnership.
e. Close associates are individuals who are closely connected to a PEP, either socially or professionally.

The decision to open an account for a PEP is taken at a senior level in accordance with the Company's Customer Acceptance Policy.

In the event of an existing customer or the beneficial owner of an existing account subsequently becomes a PEP, the same is required to be informed to Nido within 15 working days and obtain Business Head approval to continue the business relationship.

## 3.25 PRINCIPAL OFFICER (PO)

An official designated by the Board of Directors of the Company for overseeing and managing the KYC & AML policies and processes. The PO will be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations.

## 3.26 SENIOR MANAGEMENT

For the purpose of KYC compliance shall include Designated Director, Head Credit & Risk, Business Head, Head of Compliance, Principal Officer (PO) and his supervisor.

## 3.27 SUSPICIOUS TRANSACTION

Means a "transaction" as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith:

a) gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime, 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 bona fide purpose; or
d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

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

### 3.28 TRANSACTION

Means a purchase, sale, loan, transfer, delivery or the arrangement thereof and includes:

a) opening of an account.
b) entering into any fiduciary relationship.
c) any payment made or received in whole or in part of any contractual or other legal obligation.
d) establishing or creating a legal person or legal arrangement

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### 3.29 UCIC

Means Unique Customer Identification Code, i.e., unique customer-ID allotted to individual customers while entering new relationships as well as to the existing customers. All the accounts of an individual customer will be opened under his / her UCIC.

### 3.30 VIDEO BASED CUSTOMER IDENTIFICATION PROCESS (V-CIP)

This is a face-to-face method of customer identification by an official of the Company by undertaking seamless, secure, real- time, consent based audio-visual interaction with the customer to obtain identification information including the documents required for CDD purpose, and to ascertain the veracity of the information furnished by the customer.

The Company's official may undertake live V- CIP, for establishment of an account based relationship with an individual customer, after obtaining his informed consent and shall adhere to the following stipulations:

i. The official performing the V-CIP shall record video as well as capture photograph of the customer present for identification and obtain the identification information basis Offline Verification of Aadhaar for identification.
ii. The Company shall capture a clear image of PAN card as provided by the customer except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority.
iii. Live location of the customer (Geotagging) shall be captured to ensure that customer is physically present in India.
iv. The official shall ensure that photograph of the customer in the Aadhaar/PAN details matches with the customer undertaking the V-CIP and the identification details in Aadhaar/PAN shall match with the details provided by the customer.
v. The official shall ensure that the sequence and/or type of questions during video interactions are varied in order to establish that the interactions are real-time and not pre-recorded.

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

vii. All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process.

viii. The Company shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audio-visual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt and shall carry out the liveliness check in order to guard against spoofing and such other fraudulent manipulations.

ix. The Company shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp.

x. The Company may undertake V-CIP to carry out CDD in case of new customer on-boarding for individual customers, proprietor in case of proprietorship firm, authorized signatories and Beneficial Owners in case of Legal Entity (LE) customers.

*Provided that in case of CDD of a proprietorship firm, REs shall also obtain the equivalent e- document of the activity proofs with respect to the proprietorship firm, apart from undertaking CDD of the proprietor.*

xi. The responsibility of customer identification shall rest with the Company.

xii. The minimum standards as specified with respect to V-CIP infrastructure, procedure, records and data management as specified explicitly in RBI Master Direction and as required under other statutes such as the Information Technology (IT) Act shall be appropriately complied with by the Company.

### 3.31 WALK IN CUSTOMER

Means a person who does not have an account-based relationship with the Company but undertakes transactions with the Company.

## 4. CUSTOMER ACCEPTANCE POLICY (CAP)

In line with the various guidelines issued by RBI on "Know Your Customer Guidelines & Anti Money Laundering Standards" and provisions of the PMLA, the Company has formulated Customer Acceptance Policy (CAP) which lays down the broad criteria for acceptance of customers.

The features of the CAP are detailed below:

a) The Company shall not open any account(s) in anonymous, fictitious or 'benami' name(s).

b) No account is opened where the Company is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/ information furnished by the customer. The Company shall consider filing an STR, if necessary, when it is unable to comply with the relevant CDD measures in relation to the customer.

c) No transaction or account-based relationship will be undertaken without following the CDD procedure.

d) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updating will be specified (Refer Annexure A below).

e) 'Optional'/additional information is obtained with the explicit consent of the customer after the account is opened. (Refer Annexure A below).

f) The Company shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer desires to avail another loan or any other product or service from the Company, there shall be no need for a fresh CDD exercise subject to customer identification is concerned. UCIC will help the Company to identify customers, track the facilities availed, monitor financial transactions in a holistic manner and enable the Company to have a better approach to risk profiling of customers. Branches are required to strictly avoid creating multiple customer IDs while providing new loan facilities.

g) CDD Procedure will be followed for all the joint account holders, while opening a joint account.

h) Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.

i) The Company shall ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc. For this purpose, the Company shall maintain lists of individuals or entities issued by RBI, United Nations Security Council, other regulatory & enforcement agencies, internal lists as the Company may decide from time to time. Full details of accounts/ customers bearing resemblance with any of the individuals/ entities in the list shall be treated as suspicious and reported.

a) The Company has implemented an Anti- Money Laundering platform integrated with its loan management system. This automated system adopts recommendations of FATF & CFT standards issued from time to time. This facilitates to prevent and report suspicious transactions by way of alerts both at the time onboarding the customers as well as ongoing basis. The said platform is a comprehensive AML and surveillance suite, constantly updates its coverage based on feedback of regulatory changes like Watch list/ Screening from multiple sources - World check, SEBI, UN Security Council, OFAC, PEP with PAN Numbers, Caution advices among others.

b) Adequate due diligence is a fundamental requirement for establishing the identity of the customer. Identity generally means a set of attributes which together uniquely identify a natural person or legal entity. In order to avoid fictitious and fraudulent applications of the customers, and to achieve a reasonable degree of satisfaction as to the identity of the customer, the Company shall conduct appropriate due diligence.

The nature and extent of basic due diligence measures to be conducted at the time of establishment of account opening/relationship, would depend upon the risk category of the customers and involve collection and recording of information by using reliable independent documents, data or any other information. This may include identification and verification of the applicant and wherever relevant, ascertaining of occupational details, legal status, ownership and control structure and any additional information in line with the assessment of the risks posed by the applicant and the applicant's expected use of the Company's products and services from an AML perspective.

c) The Company may rely on third party verification subject to the conditions prescribed by the RBI, the PMLA and the Rules thereunder in this regard.
d) For non-face-to-face customers, appropriate due diligence measures (including certification requirements of documents, if any) will be devised for identification and verification of such customers.
e) Relationship/opening of accounts shall be established and the beneficiary of the relationship/account shall also be identified.
f) The information collected from the customer shall be kept confidential.
g) Appropriate Enhanced Due Diligence (EDD) measures shall be adopted for high risk customers from AML perspective, especially those for whom the sources of funds are not clear, transactions carried through correspondent accounts and customers who are Politically Exposed Persons (PEPs) and their family members/close relatives.
h) In respect of unusual or suspicious transactions/applications or when the customer moves from a low risk to a high-risk profile, appropriate EDD measures shall be adopted.
i) Where the Company is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, the Company may consider closing the account or terminating the business relationship. However, the decision to close an existing account shall be taken at a reasonably senior level, after giving due notice to the customer explaining the reasons for such a decision.
j) Where an equivalent e-document is obtained from the customer, the Company shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
k) For cases wherein Permanent Account Number (PAN) has been obtained, the same shall be verified from the verification facility of the issuing authority.

The aspects mentioned in the CAP would be reckoned while evolving the KYC/AML procedures for various customers/products. However, while developing the KYC/CDD procedures Company shall ensure that its procedures do not become too restrictive or pose significant difficulties in availing its services by deserving general public, especially the financially and socially disadvantaged sections of society.

## 5. RISK MANAGEMENT

**5.1** **For Risk Management**, the Company will have a risk-based approach which includes the following:

a) Customers shall be categorized as low, medium and high risk category, based on the assessment and risk perception of the Company;

b) Broad principles may be laid down by the REs for risk-categorisation of customers

c) Risk categorization shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the clients' business and their location etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

d) The customers will be monitored on regular basis with built in mechanism for tracking irregular behavior for risk management and suitable timely corrective action.

**5.2** The Company shall carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise annually to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of the Company in cognizance of the overall sector-specific vulnerabilities.

The outcome of the exercise shall be put up to the Board/Audit Committee of the Board and will be made available to competent authorities and self-regulating bodies.

The Company shall apply a risk-based approach for mitigation and management of the identified risk and shall monitor the implementation of the controls and enhance them if necessary. The Company shall also required to implement a Customer Due Diligence (CDD) program based on the identified Money Laundering (ML) and Terrorist Financing (TF) risks, taking into consideration the scale of their business.

## 5.3 HIGH AND MEDIUM RISK FROM AML PERSPECTIVE

A customer that is likely to pose a higher-than-average risk may be categorized high or medium risk depending on background, nature & location of customer, his/ her profile, scale of customer's volume, his/ her financials and social status etc. Due diligence measures will be applied based on the risk assessment. The Company shall apply enhanced due diligence measures for higher risk customers, especially those for whom the sources of funds are not clear.

### A) INDICATIVE LIST OF HIGH-RISK CUSTOMERS

i) Individuals and entities in various United Nations' Security Council Resolutions (UNSCRs) such as UN 1267 etc.;

ii) Individuals or entities listed in the schedule to the order under section 51A of the Unlawful Activities (Prevention) Act, 1967 relating to the purposes of prevention of, and for coping with terrorist activities.

iii) Individuals and entities in watch lists issued by Interpol and other similar international organizations.
iv) Customers with dubious reputation as per public information available or commercially available watch lists;
v) Individuals and entities specifically identified by regulators, FIU and other competent authorities as high-risk.
vi) Customers conducting their business relationship or transactions in unusual circumstances, such as significant and unexplained geographic distance between the institution and the location of the customer, frequent and unexplained movement of accounts to different institutions, etc.;
vii) Politically exposed persons (PEPs), customers who are close relatives of PEPs and accounts of which a PEP is the ultimate beneficial owner;
viii) Non-face-to-face customers;
ix) High net worth individuals with gross Annual Income > Rs.10 crore or with net-worth more than Rs. 50 crores;
x) Firms with 'sleeping partners';
xi) Companies having close family shareholding or beneficial ownership and where sufficient information is not available about the promoters and its/their business activities;
xii) Complex business ownership structures, which can make it easier to conceal underlying beneficiaries, where there is no legitimate commercial rationale;
xiii) Shell companies which have no physical presence in branch locations. The existence simply of a local agent or low level staff does not constitute physical presence;
xiv) Accounts for "gatekeepers" such as accountants, lawyers, or other professionals for their clients where the identity of the underlying client is not disclosed;
xv) Client Accounts managed by professional service providers such as law firms, accountants, agents, brokers, fund managers, trustees, custodians etc.;
xvi) Trusts, charities, NGOs/ unregulated clubs and organizations receiving donations;
xvii) Gambling/gaming including "Junket Operators" arranging gambling tours;
xviii) Jewelers and Bullion Dealers;
xix) Dealers in high value or precious goods (e.g. gem and precious metals dealers, art and antique dealers and auction houses, estate agents and real estate brokers);
xx) Customers engaged in a business which is associated with higher levels of corruption (e.g., arms manufacturers, dealers and intermediaries);
xxi) Customers engaged in industries that might relate to nuclear proliferation activities or explosives.
xxii) Customers that may appear to be multi-level marketing companies etc.
xxiii) Companies undertaking Forex Business

## B) INDICATIVE LIST OF MEDIUM RISK CUSTOMERS

i) Stock brokerage.
ii) Import / Export.

iii) Gas Station.
iv) Car / Boat / Plane Dealership.
v) Electronics (wholesale);
vi) Travel agency.
vii) Telemarketers.
viii) Providers of telecommunications service, internet café, International direct dialing (IDD) call service.

## 5.4 LOW RISK FROM AML PERSPECTIVE

All other customers (other than High and Medium Risk category) whose identities and sources of wealth can be easily identified and by and large conform to the known customer profile, may be categorized as low risk. In such cases, only the basic requirements of verifying identity and location of the customer are to be met.

Illustrative examples of low risk customers could be:

**i.** Salaried applicants whose salary structures are well defined;
**ii.** People belonging to government departments,
**iii.** People working with govt. owned companies, regulators and statutory bodies etc;
**iv.** People belonging to lower economic strata of the society whose accounts show small balances and low turnover;
**v.** People working with Public Sector Units;
**vi.** People working with reputed Public Limited Companies & Multinational Companies;
**vii.** Listed, Public limited Companies where sufficient information is available about the promoters and its/their business activities.

## 6. CUSTOMER IDENTIFICATION PROCEDURE

I. The Company shall undertake identification of customers in the following cases:
a. Commencement of an account-based relationship with the customer;
b. When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained; and
c. Selling their own products, selling third party products as agents and any other product.
d. When the Company has reason to believe that a customer is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.

II. The Company shall obtain satisfactory evidence of the identity of the customer depending upon the perceived risks at the time of commencement of relationship/ opening of account. Such evidence shall be substantiated by reliable independent documents, data or information or other means like physical verification etc.

The Company will obtain Permanent account number (PAN) of customers as per the applicable provisions of Income Tax Rule 114B. Form 60 shall be obtained from persons who do not have PAN.

The PAN details shall be verified from the database of National Securities Depository

III. Limited, the issuing authority for cases in which identification is carried out through V-CIP.

IV. For the customers that are legal person or entities:

   a. the Company will verify the legal status for the legal person/ entity through proper and relevant documents.
   b. the Company will understand the beneficial ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person.

I. Additional documentation may be obtained from the customers with higher risk perception as may be deemed fit. This shall be done having regard but not limited to location (registered office address, correspondence address and other addresses as may be applicable), nature of business activity, repayment mode & repayment track record.

II. An indicative list of the nature and type of documents/ information that may be relied upon for customer identification is provided in the 'Annexure A' of this Policy. The documents to be accepted by the Company for customer identification shall be based on the regulatory prescriptions from time to time and shall be finalized after approval from the Compliance Officer, Principal Officer & Head- Risk and Credit.

III. To verifying the identity of customers at the time of commencement of an account-based relationship, the Company, at its discretion may at its option, rely on customer due diligence done by a third party, subject to the following conditions:

   a. Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC records registry.
   b. Adequate steps are taken by the Company to satisfy those copies of identification data and other relevant documentation relating to customer due diligence 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/ jurisdiction assessed as high risk;
   e. The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the Company.

## 7. CUSTOMER DUE DELIGENCE (CDD) PROCEDURE

CDD means identifying and verifying the customer and the beneficial owner using reliable and independent sources of identification.

CDD, at the time of commencement of an account-based relationship or while carrying out occasional transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or any international money transfer operations, shall include:

   a. Client Identification and Verification of the Client's identity using reliable and independent sources.

b. Conducting thorough due diligence to comprehend the Client's business nature, ownership, and control.

c. Determining whether a Client is acting on behalf of a beneficial owner, and identifying the beneficial owner and taking all steps to verify the identity of the beneficial owner, using reliable and independent sources of identification

i) The Company will obtain the following documents from an individual or dealing with the individual who is beneficial owner, authorized signatory or the power of attorney holder while establishing an account based relationship:
The submission of Aadhaar by an individual as a KYC document in cases other than mentioned above cannot be insisted upon. However the individual if so desires, may provide the same out of his own volition. Customers at their option, shall submit one of the OVD's or the equivalent e-document

ii) one certified copy of an OVD or the equivalent e-document as defined above containing details of identity and address;

iii) one recent photograph.

iv) the permanent account number or form no. 60 as defined in Income Tax Rules, 1962, and

v) such other documents pertaining to the nature of business or financial status specified by the Company.

vi) The Aadhaar number shall be mandatorily be obtained along with proof of possession of Aadhaar from individual who is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and other subsidies, benefits and services) Act, 2016.
In case customer desirous of availing benefit or subsidy does not have Aadhaar, then he/she shall submit Aadhaar enrolment id along with anyone of the below documents:

- Bank or Post office photo passbook
- Voter id card
- Ration Card
- Kishan Photo Passbook
- Passport
- Driving License
- PAN
- MGNREGS job card
- In case of spouse, her husband's or his wife's as the case may be, Employer Photo id card issued by the Government or any public sector undertaking
- Any other photo id card issued by State Government or Union Territory Administration
- Certificate of identity with Photograph issued by Gazette Officer on Official letterhead
- Health Card issued by Primary Health Centre or Government Hospital.

The specific consent from the customer is obtained for offline verification of Aadhaar.

If customer submits Aadhaar number, to be ensured that customer to redact or blackout first eight digits Aadhaar number through appropriate means where the authentication of Aadhaar number is not required under section 7 of the Aadhaar (Targeted delivery of financial and other subsidies benefits and services) Act.

The Aadhaar number is not required to be blackout/redacted in case of the customer availing benefit of subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and other subsidies, benefits and services) Act, 2016.

**a)** The information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer. Submission of PAN or form 60 in lieu of PAN and officially valid document is mandatory for all customers, to the extent applicable, unless it is specifically exempted under any law/act/regulations/notification/circular etc.

**b)** A copy of the marriage certificate issued by the State Government or Gazette notification indicating change in name together with a certified copy of the 'officially valid document' in the existing name of the person shall be obtained for proof of address and identity, while establishing an account based relationship or while undertaking periodic updating exercise in cases of persons who change their names on account of marriage or otherwise.;

**c)** If an existing KYC compliant customer of the Company desires to open another account with it, there shall be no need for a fresh CDD exercise provided there is no change in details last provided under the Company's KYC norms.

## 7.2 ACCOUNTS OPENED USING OTP BASED E-KYC, IN NON-FACE-TO-FACE MODE, ARE SUBJECT TO THE FOLLOWING CONDITIONS:

a) There must be a specific consent from the customer for authentication through OTP.

b) The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.

c) Accounts opened using OTP based e-KYC shall not be allowed for more than one year unless identification under CDD including VCIP or in case Aadhaar details are used, then fresh Aadhaar OTP authentication process to be carried out.

d) A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in non-face-to-face mode with any other regulated entity (RE). Further, while uploading KYC information to CKYCR, the Company shall clearly indicate that such accounts are opened using OTP based e-KYC and other REs shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to-face mode.

e) For periodic updation in non-face to face mode through Aadhaar OTP based e-KYC, the Company shall ensure that mobile number for Aadhaar authentication is same as the one available with them in the customer's profile.

## 7.3 SIMPLIFIED PROCEDURE FOR OPENING ACCOUNTS

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

a) The Company shall obtain a self-attested photograph from the customer.
b) The designated officer of the Company certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.
c) The account shall remain operational initially for a period of twelve months, within which CDD shall be carried out.
d) Balances in all their accounts taken together shall not exceed rupees fifty thousand at any point of time.
e) The total credit in all the accounts taken together shall not exceed rupees one lakh in a year.
f) The customer shall be made aware that no further transactions will be permitted until the full KYC procedure is completed in case Directions (d) and (e) above are breached by him.

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The customer shall be notified when the balance reaches rupees forty thousand or the total credit in a year reaches rupees eighty thousand that appropriate documents for conducting the KYC must be submitted otherwise the operations in the account shall be stopped when the total balance in all the accounts taken together exceeds the limits prescribed in direction (d) and (e) above. KYC verification once done by one branch/office of the Company shall be valid for transfer/opening of account to any other branch/office of the Company, provided full KYC verification has already been done for the concerned account and the same is not due for periodic updating.he account shall be monitored and when there is suspicion of ML/TF activities or other high-risk scenarios, the identity of the customer shall be established as per Section 16 or Section 18.

## 7.4 CDD MEASURES FOR SOLE PROPRIETORY FIRMS

a) For opening an account in the name of a sole proprietary firm, a certified copy of an OVD or the equivalent e-document as mentioned above, containing details of identity and address of the individual (proprietor) shall be obtained. PAN or form 60 in lieu of PAN and officially valid document of the persons holding an attorney to transact the business on behalf of partnership firm is mandatory.
b) In addition to the above, any two of the following documents as a proof of business/ activity in the name of the proprietary firm shall also be obtained:

i) Registration certificate including "Udyam Registration Certificate (URC) issued by the Government
ii) Certificate/ License issued by the municipal authorities under Shop and Establishment Act;
iii) Sales and income tax returns.

iv) CST/VAT/GST certificate (provisional/final), the same shall be verified through the search/verification facility provided by the issuing authority
v) Certificate/registration document /License/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
vi) 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.
vii) Utility bills such as electricity, water, and landline telephone bills.
viii) IEC (Importer Exporter Code) issued to the proprietary concern by the office of the DGFT/License/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.

In cases where the Company 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, subject to contact point verification and collection of such other information and clarification as would be required to establish the existence of such firm. Further, it should be satisfied that the business activity has been verified from the address of the proprietary concern.

## 7.5 CDD MEASURES FOR LEGAL ENTITIES

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

i) Certificate of incorporation.
ii) Memorandum and Articles of Association.
iii) Permanent Account Number of the Company
iv) A resolution from the Board of Directors and power of attorney g r anted to its managers, officers or employees to transact on its behalf.
v) Officially valid documents as mentioned in individual section in Annexure A in respect of Beneficial owner, managers, officers or employees holding an attorney to transact on its behalf. PAN or form 60 in lieu of PAN and officially valid document of the persons holding an attorney to transact the business on behalf of Company is mandatory.

**b)** For opening an account of a partnership firm, one certified copy of each of the following documents shall be obtained:

i) Registration certificate.
ii) Partnership deed.
iii) Permanent Account Number of the Partnership firm
iv) Officially valid documents of the Beneficial owner/partners CST/VAT/GST certificate (provisional/final) coming on loan structure and in respect of the person holding an attorney to transact on its behalf. PAN or form 60 in lieu of PAN and officially valid document of the persons holding an attorney to transact the business on behalf of partnership firm is mandatory.

c) For opening an account of a trust, one certified copy of each of the following documents shall be obtained:

i) Registration certificate.

ii) Trust deed.

iii) Permanent Account number or Form 60 of the trust

iv) The names of the beneficiaries, trustees, settlor, protector, if any and authors of the trust

v) Officially valid documents as mentioned in individual section in Annexure A in respect of the Beneficial owner, person holding a power of attorney to transact on its behalf. PAN or form 60 in lieu of PAN and officially valid document of the persons holding an attorney to transact the business on behalf of trust is mandatory.

d) For opening an account of an unincorporated association or a body of individuals, one certified copy of each of the following documents shall be obtained:

i) Resolution of the managing body of such association or body of individuals;

ii) Power of attorney granted to transact on its behalf;

iii) Permanent Account Number or Form 60 of the unincorporated association or a body of individuals

iv) Officially valid documents as mentioned in individual section in Annexure A in respect of the Beneficial owner person holding an attorney to transact on its behalf. PAN or form 60 in lieu of PAN and Officially valid document of the persons holding an attorney to transact the business on its behalf is mandatory, and

v) Such information as may be required by the Company 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.*

e) For opening accounts of juridical persons not specifically covered in the earlier part, such as Government or its Departments, societies, universities and local bodies like village panchayats, one certified copy of the following documents shall be obtained:

i) Document showing name of the person authorized to act on behalf of the entity;

ii) Officially valid documents as mentioned in individual section in Annexure A for proof of identity and address in respect of the person holding an attorney to transact on its behalf; and

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

iv) PAN or form 60 in lieu of PAN and officially valid document of the persons holding an attorney to transact the business on behalf of partnership firm is mandatory.

Provided that in case of a trust, the Company shall ensure that trustees disclose their status at the time of commencement of an account-based relationship or when carrying out transactions as specified in clauses (b), (e) and (f) of Section 13 of this MD.

## 7.6 CLIENT ACCOUNTS OPENED BY PROFESSIONAL INTERMEDIARIES

The Company shall ensure while opening loan accounts through professional intermediaries, that:

a. Clients shall be identified when client account is opened by a professional intermediary on behalf of a single client.
b. The Company shall have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.
c. The Company shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the Company.
d. All the beneficial owners shall be identified where funds held by the intermediaries are not co- mingled at the level of Company, and there are 'sub-accounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of Company, it would look for the beneficial owners.
e. The Company, shall, at their discretion, rely on the CDD done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers.

## 7.7 ENHANCED DUE DELIGENCE

a) Accounts of non-face-to-face customers: The Company will include additional procedures i.e., certification of all the documents presented, calling for additional documents and the first payment to be effected through the customer's KYC-complied account with another regulated entity for enhanced due diligence of non-face to face customers.

b) Accounts of Politically Exposed Persons (PEPs): The Company will have the option of establishing a relationship with PEPs, *(whether as customer or beneficial owner)* provided that apart from performing normal customer due diligence:

i) The Company shall have appropriate risk management systems to determine whether the customer or the beneficial owner is a PEP;
ii) Reasonable measures are taken by the Company for establishing the source of funds / wealth;
iii) sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP;
iv) the identity of the person shall have been verified before accepting the PEP as a customer;
v) the decision to open an account for a PEP is taken at a senior level in accordance with the Company's Customer Acceptance Policy;

vi) all such accounts are subjected to enhanced monitoring on an on-going basis;

vii) in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval is obtained to continue the business relationship.

viii) the CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.

The above will also be applicable to accounts where a PEP is the beneficial owner and to family members or close associates of PEPs.

For all the customers for which enhanced due diligence "EDD" is required, the Company will conduct the same in line with EDD policy. Any deviation to EDD policy will be entertained as an exception and will require approval of Principal Officer. EDD Policy is enclosed as Annexure-B. In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, has to inform Nido within 15 working days and obtain Business Head approval to continue the business relationship.

## 7.8 IDENTIFICATION OF BENEFICIAL OWNER

This guideline as part of Client Due Diligence Policy, is to obtain sufficient information from the clients in order to identify and verify the identity of persons who beneficially own or control the account. The beneficial owner(BO) has been defined as per PMLA Rules as the natural person who ultimately owns or controls a client and/or the person on whose behalf the transaction is being conducted, and includes a person who exercises ultimate effective control over a juridical person.

## PROCESS TO IDENTIFY BENEFICIAL OWNERSHIP:

a).who owns more than 25%/15% of the customer depending upon nature of client as discussed below.

b).who has effective control on the customer

c). the persons on whose behalf transaction is conducted

Hence a beneficial owner is an individual who satisfies any one step or any combinations of the three steps.

| Customer Constitution | Beneficial owners- Percentage threshold on the controlling ownership interest |
|---|---|
| Companies | Where the customer is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have a controlling ownership interest or who exercise control through other means.<br>*Explanation- For the purpose of this sub-clause-*<br>*Controlling ownership interest" means ownership of/entitlement to more than 25 er*<br>*cent of the shares or capital or profits of the company.*<br>*Control" shall include the right to appoint majority of the directors or to control he management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.*<br>*Note: Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.* |
| Partnership Firm | The beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of capital or profits of the partnership. |
| Un-incorporated association or Body of Individual | The beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.<br>*Explanation: Term 'body of individuals' includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.* |

| | | |
|---|---|---|
| | Trusts | The identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership. *Note: In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.* |

## 7.9 SELLING THIRD PARTY PRODUCTS

The Company, if acting as agents while selling third party products as per regulations in force from time to time, will comply with the following aspects:

a. The identity and address of the customer shall be verified as required under its CIP;
b. Transaction details of sale of third-party products and related records shall be maintained;
c. Monitoring of transactions for any suspicious activity will be done.

## 8. MONITORING OF TRANSACTIONS/ON-GOING DUE DELIGENCE

Ongoing monitoring is an essential element of effective KYC procedures. The Company shall 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. The Company shall identify transactions large and complex transactions and those with unusual patterns, inconsistent with the normal and expected activity that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk sensitivity of the account. The Company shall pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.

Permanent account number (PAN) or equivalent e-document thereof of customers shall be obtained and verified while undertaking transactions as per the provisions of Income Tax Rule. Special attention shall be given to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF Statements.

The background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations shall be examined, and written findings together with all documents shall be retained and shall be made available to Reserve Bank/other relevant authorities, on request. The Company shall apply enhanced due diligence measures, which are effective and proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF.

Following types of transactions shall necessarily be monitored:

(a) Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
(b) Transactions which exceed the thresholds prescribed for specific categories of accounts.
(c) High account turnover inconsistent with the size of the balance maintained.
(d) Deposit of third-party cheques, drafts, etc. in the loan accounts.
(e) The extent of monitoring shall be aligned with the risk category of the customer.
(f) The transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies shall be closely monitored.

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**8.2** The Company will put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures in case of higher risk perception on a customer. The Company will carry such review of risk categorization of customers at a periodicity of not less than once in six months.Periodic Updating- The Company will conduct periodic updating of KYC documents *(ensuring that the information collected is kept up-to-date and relevant, particularly where there is high risk)* at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers subject to the following conditions:

## A. INDIVIDUAL CUSTOMERS

a) No change in KYC information: In case of no change in the KYC information, a self- declaration from the customer in this regard shall be obtained through customer's registered email-id, letter etc.

Change in address: In case of a change only in the address details of the customer, a self- declaration of the new address shall be obtained from the customer through customer's registered email-id, letter, etc and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables etc. or may obtain a copy of OVD or deemed OVD or the equivalent e-documents thereof, for the purpose of proof of address, declared by the customer at the time of periodic updating.

## B. CUSTOMERS OTHER THAN INDIVIDUALS

a) No change in KYC information: In case of no change in the KYC information of the LE customer, a self-declaration in this regard shall be obtained from the LE customer through its registered email id, letter from an official authorized by the LE, board resolution etc. Further, the Company shall ensure during this process that Beneficial Ownership information available is accurate and updated.

b) Change in KYC information: In case of change in KYC information, RE shall undertake the KYC process equivalent to that applicable for on- boarding a new LE customer.

## C. ADDITIONAL MEASURES

In addition to the above, the Company shall ensure that:

a) The KYC documents of the customer as per the current CDD standards are available with them.

b) Acknowledgment is provided to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out periodic updating. Further, it shall be ensured that the information / documents obtained from the customers at the time of periodic updating of KYC are promptly updated in the records / database of the Company.

c) In order to ensure customer convenience, the Company may consider making available the facility of periodic updating of KYC at any branch.

d) Physical presence of customer for the purpose of furnishing OVD or the equivalent e- document or furnishing consent for Aadhaar Authentication/offline verification is not required unless there are sufficient reasons that physical presence of the account holder/holders is required to establish their bona-fides.

e) The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.

f) Fresh photographs may be obtained from customer in case of major changes observed during the verification.

g) In case of legal entities, the Company shall review the documents sought at the time of opening of account and obtain fresh certified copies.

## 9. MONITORING OF TRANSACTIONS/ON-GOING DUE DELIGENCE

**9.1** In accordance with the requirements under PMLA, the Company will furnish the following reports, as and when required, to the Director, Financial Intelligence Unit-India (FIU-IND):

**a)** Cash Transaction Report (CTR) - If any such transactions detected, Cash Transaction Report (CTR) for each month by 15th of the succeeding month.

**b)** Counterfeit Currency Report (CCR) - All such cash transactions where forged or counterfeit Indian currency notes have been used as genuine as Counterfeit Currency Report (CCR) for each month by 15th of the succeeding month.

**c)** Suspicious Transactions Reporting (STR) - The Company will endeavor to put in place automated systems for monitoring transactions to identify potentially suspicious activity. Such triggers will be investigated, and any suspicious activity will be reported to FIU-IND.

The Company will file the Suspicious Transaction Report (STR) to FIU-IND within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. However, in accordance with the regulatory requirements, the Company will not put any restriction on operations in the accounts where an STR has been filed.

The Government of India, Ministry of Finance, Department of Revenue, Financial Intelligence Unit-India, vide its circular dated 10th February 2016 has issued a guidance notes on effective processes of STRs detection and reporting for NBFC which inter-alia provides indicative alerts for suspicious transactions. Detailed process for its implementation would be laid down Please refer Annexure C for the list of indicative alerts.

While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-represented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation. The Company shall not put any restriction on operations in the accounts merely on the basis of the STR filed.

The Company, its directors, officers, and all employees shall ensure that the fact of maintenance of records referred to in rule 3 of the PML (Maintenance of Records) Rules, 2005 and furnishing of the information to the Director is confidential. However, such confidentiality requirement shall not inhibit sharing of information under Section 4(b) of this Master Direction of any analysis of transactions and activities which appear unusual, if any such analysis has been done.

**9.2** **Confidentiality and Prohibition against disclosing Suspicious Activity Investigations and Reports**-The Company will maintain utmost confidentiality in investigating suspicious activities and while reporting CTR/ CCR/ STR to the FIU-IND/ higher authorities. However, the Company may share the information pertaining to the customers with the statutory/ regulatory bodies and other organizations such as banks, credit bureaus, income tax authorities, local government authorities etc.

## 10. SHARING KYC INFORMATION WITH CENTRAL KYC RECORDS REGISTRY (CKYCR)

The Company will capture the KYC information for sharing with the CKYCR in the manner as prescribed in the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, under the prescribed KYC templates for 'individuals' and 'Legal Entities' as applicable. Further, the Company will upload the KYC data pertaining to all types of prescribed accounts with CKYCR, as and when required, in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005. If an existing CKYC compliant customer of the Company desires to avail top-up/2nd loan, there shall be no need for a fresh CDD exercise except for scenarios where address of borrower has changed and/ or in case of change in Risk Category in system shall be the same of the borrower.

Further the Company shall capture customer's KYC records and upload onto CKYCR within 10 days ofcommencement of an account-based relationship with the customer.

Where a customer, for the purposes of establishing an account based relationship, submits a KYC Identifier to the Company, with an explicit consent to download records from CKYCR, then the Company shall retrieve the KYC records online from the CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless:-

i. there is a change in the information of the customer as existing in the records of CKYCR;
ii. the KYC record or information retrieved is incomplete or is not as per the current applicable KYC norms;
iii. the Company considers it necessary in order to verify the identity or address(including current address)of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client(customer).
iv. the validity period of documents downloaded from CKYCR has lapsed.

Whenever the RE obtains additional or updated information from any customer, the RE shall within seven days, furnish the updated information to CKYCR..

## 11. REPORTING REQUIREMENT UNDER FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA) AND COMMON REPORTING STANDARDS (CRS)

If applicable to the Company, it will adhere to the provisions of Income Tax Rules 114F, 114G and 114H. If the Company becomes a Reporting Financial Institution as defined in Income Tax Rule 114F, it will take the following requisite steps for complying with the reporting requirements:

a) Register on the related e-filling portal of Income Tax Department as a Reporting Financial Institution;

b) Submit online reports by using the digital signature of the 'Designated Director' by either uploading the Form 61B or 'NIL' report, for which, the schema prepared by Central Board of Direct Taxes (CBDT) shall be referred to;

c) Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H;

d) Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules.;

e) Constitute a "High Level Monitoring Committee" under the Designated Director or any other equivalent functionary to ensure compliance;

f) Ensure compliance with updated instructions/ rules/ guidance notes/ Press releases/ issued on the subject by Central Board of Direct Taxes (CBDT) from time to timet.

g) In addition to above, other United Nations Security Council Resolutions (UNSCRs) circulated by the Reserve Bank of India in respect of any other jurisdictions/entities from time to time shall also be verified on a daily basis and any modifications to the lists in terms of additions, deletions or other changes shall be taken into account for meticulous compliance.

## 12. RESPONSIBILITIES OF SENIOR MANAGEMENT

### 12.1 DESIGNATED DIRECTOR

The Company shall nominate a "Designated Director" to ensure compliance with the obligations prescribed by the PMLA and the Rules thereunder, details of which will be communicated to FIU-IND. The "Designated Director" can be a person who holds the position of senior management or equivalent. However, it shall be ensured that the Principal Officer is not nominated as the "Designated Director".

### 12.2 PRINCIPAL OFFICER

An official at the management level (having knowledge, sufficient independence, authority, time and resources to manage and mitigate the AML risks of the business) shall be designated as the Principal Officer of the Company, details of which will be communicated to FIU-IND. The Principal Officer will responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/ regulations.

### 12.3 KEY RESPONSIBILITIES OF THE SENIOR MANAGEMENT

i. Allocation of responsibility for effective implementation of policies and procedures.
ii. To ensure independent evaluation of the Compliance Functions of the Company's

policies and procedures

iii. Submission of quarterly audit notes and compliance to the Audit Committee

iv. To ensure compliance with KYC/Anti money laundering (AML) policies and procedures are covered in the scope of concurrent audit/internal audit system

Ensuring overall compliance with regulatory guidelines on KYC/ AML issued from time to time and obligations under PMLA.Proper implementation of the company's KYC & AML policy and procedures.Decision-making functions of determining compliance with KYC norms shall not be outsourced.

**Roles and Responsibilities:**

| **Sr. No.** | **Process** | **Responsibility** |
|---|---|---|
| 1 | KYC Documentation at the time of customer meet/ interaction and verification of documents with originals | Sales |
| 2 | Sanction of loans | Credit |
| 3 | Screening of customers | Credit |
| 4 | Periodic risk review and internal audit | Compliance Team |
| 5 | Appointment of Principal Officer(AML) & Reporting | Board & Compliance Team |
| 6 | Monitoring & Reporting Obligations | Compliance |
| 7 | Information of Suspicious /attempted transactions | All employees |
| 8 | No tipping off | All employees |
| 9 | AML Training | All employees |

| | **Maintenance of Records** | |
|---|---|---|
| I | Transaction Details | Business/Operations/ Information Technology |
| II | Customer data, complaints, account files, business correspondence, account recovery details. | Operations, Credit, Customer Service, Collections, Recovery Head. |
| 10 | To adhere to the requirements of the Compliance policy | All employees |

**Below is the responsibility matrix for ensuring effective implementation of KYC Policy:**

| Level | Concerned authority | Responsibility |
|---|---|---|
| Level 1 | Respective RM/ SM & above | Valid KYC documents + OSV<br>No document to be signed without seeing original document. |
| Level 2 | Credit Officer+ BCM + ACM + RCM/H | Valid KYC documents + OSV + data entry in system.<br>No case to be disbursed without KYC compliance. |
| **Senior Management** | | |
| Level 3 | ZCM/ ZCH, Risk Head, Credit Head, Head HR, Case approving authorities as mentioned in the Credit Sanctioning Matrix | Ensure KYC Policy compliance by way of internal check with teams before sanctioning. |
| Level 4 | Compliance Head (Principal Officer) | To ensure compliance of KYC Policy, monitoring transactions, sharing & reporting information as required under the PMLA, 2002 |
| Level 5 | Designated Director | Overall compliance with the PMLA, 2002 obligations |

***Note:***

*The name, designation and address of the Designated Director & Principal Officer, including changes from time to time, shall be communicated to the Director, FIU-IND and also to the other regulator. internal Auditor to verify the compliance of KYC/AML policies and Procedures and to confirm the same to the Audit Committee.*

## 13. RECORD MANAGEMENT

### 13.1 RECORD KEEPING REQUIREMENTS

The Company shall introduce a system of maintaining proper record of transactions at each branch and a consolidated record for all branches taken together at the registered office of the Company, of transaction (nature & value) in such form required under PMLA as mentioned below:

a) all cash transactions of the value of more than Rs.10 lakh or its equivalent in foreign currency;

b) all series of cash transactions integrally connected to each other which have been individually valued below Rs.10 lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds Rs.10 lakh or its equivalent in foreign currency.
c) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security or a document has taken place facilitating the transactions;
d) all suspicious transactions whether or not made in cash; and
e) records pertaining to identification of the customer and his/her address; and
f) should allow data to be retrieved easily and quickly whenever required or when requested by the competent authorities.

## 13.2 RECORDS TO CONTAIN THE SPECIFIED INFORMATION

The records should contain the following information:

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.

## 13.3 MAINTENANCE AND PRESERVATION OF RECORDS

a) maintain for at least 5 years from the date of transaction between the Company and the client, all necessary records of transactions referred in para 14.1 above;
b) maintain for at least 5 years from the date of transaction between the Company and the client, all necessary records of transactions which will permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity;
c) records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card etc.) obtained while opening the account and during the course of business relationship would continue to be preserved for at least 5 years after the business relationship is ended;
d) records may be maintained either in hard or soft format.
e) Customers who are non-profit organisations, the details of such customers shall be registered on the DARPAN Portal of NITI Aayog.
f) Registration records shall be maintained for a period of five years after the business relationship between the customer has ended or the account has been closed, whichever is later.

# 14. HIRING OF EMPLOYEES, THEIR TRAINING AND EDUCATION OF CUSTOMERS

### 14.1 HIRING OF EMPLOYEES AND EMPLOYEE TRAINING

Adequate screening mechanism as an integral part of their personnel recruitment/hiring process shall be put in place.

On-going employee training program has been put in place so that the members of staff are adequately trained in KYC & AML policy.

Implementation of KYC Procedures requires the Company to seek information which

may be of personal nature or which has hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. To meet such situation, it is necessary that the customers are educated and apprised about the sanctity and objectives of KYC procedures so that the customers do not feel hesitant or have any reservation while passing on the information to the Company.

## 15. PROCEDURE FOR FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES

- By virtue of Section 51A of UAPA, the Central Government is empowered to freeze, seize or attach funds of and/or prevent entry into or transit through India any individual or entities that are suspected to be engaged in terrorism.
- Reporting entities shall follow the procedure prescribed by respective regulators for freezing of accounts of designated individuals/entities in case any customer records are matched with that of designated individuals/ entities.
- Reporting entities shall comply with the procedure prescribed by respective regulators for unfreezing of accounts of 'designated individuals/entities' in case of individuals/entities inadvertently affected by the freezing mechanism, upon verification that the individual/ entity is not a designated individual/entity.
- Reporting entities shall comply with the procedure prescribed by respective regulator for implementation of requests received for freezing of insurance policies of 'designated individuals/entities' without prior notice to the designated persons involved.

## 16. ADHERENCE TO KNOW YOUR CUSTOMER GUIDELINES BY THE PERSONS INCLUDING BROKERS/AGENTS ETC AUTHORIZED BY THE COMPANY'S.

a) Persons authorized by the Company for collection and/or selling loan related products, their brokers/agents or the like, shall be fully compliant with the KYC guidelines applicable to the Company.

b) All information shall be made available to the Reserve Bank of India to verify the Compliance with the KYC guidelines and accept full consequences of any violation by the persons authorized by the Company including brokers/agents etc who are operating on their behalf.

## 17. SECRECY OBLIGATIONS AND SHARING OF INFORMATION

(a) The Company shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the Company and customer. Information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.

(b) While considering the requests for data/information from Government and other agencies, the Company shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy.

(c) The exceptions to the said rule shall be as under:

i. Where disclosure is under compulsion of law;
ii. Where there is a duty to the public to disclose;
iii. the interest of bank requires disclosure; and
iv. Where the disclosure is made with the express or implied consent of the customer.

The Company shall maintain confidentiality of information as provided in Section 45NB of RBI Act 1934.

## ANNEXURE A

**Indicative List of Customer Identification Documents**

| | Features | Documents |
|---|---|---|

| | |
|---|---|
| **Accounts of individuals**<br>Proof of Identity/ Address<br>**PAN Card or Form 60 as applicable as per the policy- Mandatory** | Copy of any one of the following:<br>✓ Passport (Not Expired)<br>✓ Voter's Identity Card issued by Election Commission<br>✓ Driving License (Not Expired)<br>✓ Job Card issued by NREGA duly signed by an officer of the State Govt.<br>✓ The letter issued by the Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number or Aadhar Card<br>Where the OVD or equivalent e-document furnished by the customer does not have updated address, the following documents shall be deemed to be OVD's or equivalent e- document for the limited purpose of proof of address:<br>i. Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);<br>ii. Property or Municipal Tax receipt;<br>iii. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address; and<br>iv. Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation.<br>The customer shall submit OVD with current address within a period of three months of submitting deemed OVD. |
| **Accounts of Companies** | ✓ Certificate of incorporation;<br>✓ Memorandum and Articles of Association;<br>✓ A resolution from the Board of Directors and power of attorney granted to managers, officers or employees to transact on its behalf; and |

| | | |
|---|---|---|
| | | ✓ An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.<br>✓ Names of the relevant persons holding senior management position; and<br>✓ RSegistered office and the principal place of its business, if it is different.<br><br>*Note: PAN or form 60 in lieu of PAN and Officially valid document for proof of Identity & address of the persons holding an attorney/authorisation to transact the business on behalf of Company is mandatory. PAN and other Officially valid document for UBO is also required to be obtained.* |
| | **Accounts of Partnership firms** | ✓ Registration certificate;<br>✓ Partnership deed; and<br>✓ An officially valid document in respect of the person holding an attorney to transact on its behalf.<br>✓ Names of all the partners; and<br>✓ Address of the registered office, and the principal place of its business, if it is different.<br><br>*Note: PAN or form 60 in lieu of PAN and Officially valid document for proof of Identity & address of the persons holding an attorney/authorisation to transact the business on behalf of Firm is mandatory.* |
| | **Accounts of Trusts and foundations** | ✓ Registration certificate;<br>✓ Trust deed; andS<br>✓ An officially valid document in respect of the person holding a power of attorney to transact on its behalf.<br>✓ the names of the beneficiaries, trustees, settlor and authors of the trust<br>✓ Address of the registered office of the trust; and<br>✓ list of trustees and documents, as specified in Section 16, for those discharging role as trustee and authorised to transact on behalf of the trust.<br><br>*Note: PAN or form 60 in lieu of PAN and Officially valid document for proof of Identity & address of the persons holding an attorney/authorisation to transact the business* |

| | |
|---|---|
| | *on behalf of trust is mandatory.* |
| **Accounts of unincorporated association or a body of individuals** | ✓ Resolution of the managing body of such association or body of individuals;<br>✓ Power of attorney granted to him to transact on its behalf;<br>✓ An officially valid document in respect of the person holding an attorney to transact on its behalf; and<br>✓ Such information as may be required by the bank to collectively establish the legal existence of such an association or body of individuals.<br><br>*Note: PAN or form 60 in lieu of PAN and Officially valid document for proof of Identity & address of the persons holding an attorney/authorisation to transact the business on its behalf is mandatory.* |

| | | |
|---|---|---|
| | **Accounts of Proprietorship Concerns**<br>Proof of the name, address and activity of the concern | Apart from Customer identification procedure as applicable to the proprietor any two of the following documents in the name of the proprietary concern would suffice:<br>✓ Registration certificate (in the case of a registered concern)<br>✓ Certificate/license issued by the Municipal authorities under Shop & Establishment Act.<br>✓ Sales and income tax returns<br>✓ GST Certificate, Certificate/registration document issued by GST/ /Professional Tax authorities and verified through the search/verification facility provided by the issuing authority<br>✓ IEC (Import Export Code) issued to proprietary concern by the office of DGFT.<br>✓ License/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.<br>✓ The 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.<br>✓ Utility bills such as electricity, water and landline telephone bills.<br><br>*However, in cases where the Company is satisfied that, for any proposal, the proprietary concern is not possible to furnish two such documents, the Company will have the discretion to accept only one of those documents as activity proof. In such cases, the Company, however, will undertake contact point verification, collect such information as would be required to establish the existence of such firm, confirm, clarify and satisfy themselves that the business activity has been verified from the address of the Proprietary concern.* |

**For Individuals:**

1. **PAN Card** is mandatory for every applicant on the loan structure (Income considered and/property owner). Form-60 mandatory for co-applicants whose income is not considered and/ or is not property owner in the absence of PAN.

## ANNEXURE B

Enhanced Due Diligence

The cornerstone of a strong Anti-Money Laundering program is the adoption and implementation of comprehensive customer due diligence policies, procedures, and processes for all customers, particularly those that present a higher risk for money laundering and terrorist financing. As a result, due diligence procedures and processes should be enhanced for such high risk customers. Enhanced Due Diligence (EDD) for high-risk Customers including Politically Exposed Persons (PEPs) is especially critical in understanding their transactions and implementing a monitoring system that reduces the Company's regulatory and reputational risks. High risk customers and their transactions should be reviewed more closely at account opening and more frequently throughout the term of their relationship. Regulators like RBI, etc. have also continuously emphasized on the need to carry out enhanced due diligence for such high risk customers.

### HIGH RISK CUSTOMER

A High-Risk customer would typically be persons/entities that by nature of their occupation, place of residence or any other characteristic, are more vulnerable to money laundering. Below is the list for classifying a customer as high-risk customer:

- Non-Resident clients
- High Net-worth Individuals with gross Annual Income > Rs.10 crore or with net-worth more than Rs. 50 crores
- Trusts, Charities, NGOs and organizations receiving donations.
- Politically Exposed Persons (PEP) as defined in the AML Policy.
- Companies undertaking Forex Business.
- Clients in high risk countries where existence / effective money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production, countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, countries against which government sanctions are applied, countries reputed to be any of the following - havens/ sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.

  {Note: click the following link for list of high risk countries as published by FATF - http://www.fatf- gafi.org/countries/#high-risk }

- Non face to face clients, if any.
- Clients with dubious reputation as per public information available etc.

  Apart from above, when establishing business relationship with a customer, the entity should further classify the customer as High-Risk customer by assessing the following risk categories:

risk associated with the legal form of the customer (eg. companies having close family shareholding, partnership firm with sleeping partners, etc. and where sufficient information in not available about the promoters and its/their business activities;);

- risk associated with the economic or personal activity of the customer (eg. person/entity carrying out cash incentive business like restaurant business, dealing in arms, etc.);
- risk associated with the products or services used by the customer (eg. single premium insurance policy where the money is invested in lump sum and surrendered at the earliest opportunities.

The Company shall exercise independent judgment to ascertain whether any other set of clients shall be classified as High-Risk customer or not.

Apart from conducting the basic KYC as per the requirement of the respective business, the entity shall perform EDD for customers who are classified as High-Risk Customer.

## ENHANCED DUE DELIGENCE (EDD)

**EDD shall comprise the following:**

1. **EDD needs to be undertaken at inception of business relationship with a customer.**

- Obtaining additional identifying information from a wider variety or more robust sources and using the information to inform the individual customer risk assessment.

- carrying out additional searches (e.g., verifiable adverse media searches) to inform the individual customer risk assessment.

- Laying down reasonable measures to understand whether customer's source of income and net worth is commensurate with the assessed risk of the customer profile. In this regard, any one of the documents as mentioned in Annexure A can be obtained. This is an illustrative list and the Credit Team may obtain any additional documents for verifying source of income and net worth in consultation with the Compliance team.

- Basis the above document, Relationship Manager (RM)/Customer facing team to provide report on customer profile. Report to contain customer details like occupation, net worth, income details, beneficial ownership details (in case of non-individual accounts), etc.

Post conducting above due diligence and completion of KYC requirement, approval of senior official shall be taken for on-boarding high risk customer. Operations team in consultation with relationship manager to provide customer details to the senior official in Annexure B, seeking their approval to on-board the customer.

The Company has defined the approval hierarchy for such High Risk customer. In the event a customer is identified as a PEP, prior approval of the Principal Officer and Business Head to be taken before onboarding a customer. Post obtaining approval for High Risk customer, customer can be on-boarded, subject to any other business specific requirement.

2. **EDD to be performed during business relationship by taking below steps:**

- More frequent review of the customer's profile/transactions, which shall be more stringent for High-risk customer.
- updating of KYC shall be done at higher frequency for High risk customer accounts as specified by the regulator.
  Above EDD process is not intended to be exhaustive, the Company may adopt a more stringent EDD process as per the requirements and regulatory guidelines.

## CHANGE IN CUSTOMER CATEGORISATION:

- Where there is change in customer categorization to high risk basis review of customer's transaction and profile, EDD process as mentioned above shall be carried out.
- Further approval of senior official as per the hierarchy mentioned above shall be taken to continue relationship with such customer.
- In the event, a customer is identified as a PEP, prior approval of the Principal Officer and Business Head to be taken before onboarding a customer.

## ANNEXURE I

**Illustrative list of Income Proofs**

## INCOME PROOFS FOR INDIVIDUALS:

1. Latest copy of Income tax assessment orders/ Income Tax returns slips
2. Form 16 in case of employed individual
3. Latest Salary slip from employer
4. Bank statement showing income credit like salary Income, rent income, etc.
5. Mandi receipt for Agricultural Income
6. CA certificate on client's Income/Net Worth

## INCOME PROOFS FOR NON-INDIVIDUALS:

1. Latest copy of Income tax assessment orders/ Income Tax returns slips

2. Latest copy of Audited Statements
3. Annual Report

4. Chartered Accountant's certificate on client's Income/Net Worth

## ANNEXURE II

| Basic Client Information | |
|---|---|
| EW Legal Entity | |
| Customer Name | |
| Co-applicants details | |
| Profile of customer | |
| Type of High Risk Customer (eg. HNI, NRI, PEP, etc.) | |
| Why classified as High Risk Customer/PEP | |
| Date of Birth & Place | |
| Address | |
| National ID/PAN No. | |
| Other ID | |
| Passport # | |
| Merit of doing the case | |
| Action initiated by any enforcement agency | |
| Are there any sanctions Imposed | |
| CIBIL Score, any exception therein | |
| Criminal History if any | |
| Any adverse news | |
| Any Additional Information | |
| Any waiver or exceptions given in terms of loan offering, if yes, then what are the mitigants | |
| | |
| | |
| **Enhance Due Diligence Details** | |
| Customer's Income (as per Income proofs submitted) | |
| Whether source of income/asset ownership document submitted like ITR, Salary Slip, Form 16, Audited financial statement, etc. (Yes/No) | |
| Source of Income document submitted by customer and independently verified Yes/No) | |
| Relationship manager report submitted (Yes/No) | |
| Basis of recommendation: | |

## ANNEXURE C

LIST OF RED FLAG INDICATORS(RFI) FOR STR IDENTIFICATION

The Company follow the guidelines as specified in the 'Guidance Note on Effective Process of STRs Detections and Reporting for NBFC Sector, issued by Financial Intelligence Unit – India (FIU- IND), Ministry of Finance vide notification dated 10th February, 2016.

In order to facilitate an effective reporting regime of STRs by NBFCs, the note identifies a list of RFIs that may be further identified as a Suspicious Transactions and then reported as a STR, upon due verification. The RFIs are identified as situations that may be encountered by NBFCs in particular and are categorized under the following broad categories:

i. Customer Verification (CV): Detected during customer acceptance, identification or verification
e.g. forged Id, wrong address, etc.

ii. Law Enforcement Agency Query(LQ): Query or letter received from law enforcement agency (LEA) or intelligence agency such as CBI, Police, Enforcement Directorate, Department of Vigilance and Anti-corruption, Income tax or Service Tax Authorities etc (e.g. attachment order, blocking order received, tax evasion, violation of any other law/regulation, criminal activity etc). Normally such alerts should result into STR.

iii. Media Reports (MR): Adverse media reports about customers.

iv. Employee Initiated (EI): Employee raised alert (e.g. behavioral indicators such as customer had no information about transaction, attempted transaction, etc.).

v. Public Complaint (PC): Complaint received from public (e.g. abuse of account for committing fraud, etc.).

vi. Business Associates (BA): Information received from other institutions, subsidiaries, business associates (e.g. alert raised by service provider, agent, etc.)

vii. Watch List (WL): The customer details matched with watch lists (e.g. UN list, Interpol list etc.)

viii. Typology (TY): Common typologies of money laundering, financing of terrorism or other crimes (e.g. structuring of cash deposits etc.)

ix. Transaction Monitoring (TM): Transactionmonitoring alert (e.g. unusually large transaction, increase in transaction volume etc.)

x. Risk Management System (RM): Risk management system-based alert (e.g. high risk customer, location, source of funds, transaction type etc.

| Sr.No. | Source | Alert Indicator | Indicative Rule /Scenario |
|---|---|---|---|
| 1 | | Customer left without opening account | Customer did not open account after being informed about KYC |

| | | | |
|---|---|---|---|
| | | | requirements |
| 2 | Customer Verification | Customer offered false or forged identification documents | Customer gave false identification documentsor documents that appear to be counterfeited, fabricated, altered or in-accurate. |
| 3 | | Identification documents are not verifiable | Identity documents presented are not verifiable i.e. Foreign documents etc. |
| 4 | | Address found to be non- existent. | Address provided by the customer is found to be non-existent. |
| 5 | | Address found to be wrong | Customer not staying at address provided during account opening. |
| 6 | | Frequent address change request | Customer frequently requests for change of address |
| 7 | | Difficult to identify beneficial owner. | Customer uses complex legal structures or where it is difficult to identify the beneficial owner. |
| 8 | Law Enforcement Agency Query | Customer is being investigated for criminal offences. | Customer has been the subject of inquiry from any law enforcement agency relating to criminal offences. |
| 9 | | Customer is being investigated for Terrorism Financing Offences | Customer has been the subject of inquiry from any law enforcement agency relating to Terrorism Financing or terrorist activities. |
| 10 | Media Reports | Adverse mediareport about criminal activities of customer. | Match of customer details with persons reported in local media / open source of criminal offences. |
| 11 | | Adverse media report about Terrorism Financing or terrorist activities of customer. | Match of customer details with persons reported in local media / open source for terrorism or terrorist financing related activities. |
| 12. | | Customer did not complete transaction. | Customer did not complete transaction after queries of source of funds, etc. |
| 13. | | Customer is nervous. | Customer is hurried or nervous. |

| | | | |
|---|---|---|---|
| 14. | | Customer is over cautious. | Customer is over cautious in explaining genuineness of the transaction. |
| 15. | | Customer provides inconsistent information. | Customer changes the information provided after more detailed information is requested. Customer provides information that seems minimal, possibly false or inconsistent. |
| 16 | Employee Initiated | Customer acting on behalf of a third party. | Customer has vague knowledge about amount of money involved in the transaction. Customer taking instructionsfor conducting transactions. Customer is accompanied by unrelated individuals. |
| 17 | | Multiple customers working as a group. | Multiple customers arrive together but pretend to ignore each other. |
| 18 | | Customer avoiding nearer branches. | Customer travels unexplained distances to conduct transactions. |
| 19 | | Customer offers different identification on different occasions. | Customer offers different identifications on different occasions with an apparent attempt to avoid linkage of multiple transactions. |
| 20 | | Customer wants to avoid reporting. | Customer makes inquiries or tries to convince staff to avoid reporting. |
| 21 | | Customer could not explain source of funds. | Customer could not explain source of funds satisfactorily. |
| 22 | | Transaction is unnecessarily complex. | Transaction is unnecessarily complex for its stated purpose. |
| 23 | | Transaction has no economic rationale. | The amounts or frequency or the stated reason of the transaction does not make sense for the particular customer. |
| 24 | | Transaction inconsistent with business. | Transaction involving movement of which is |

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| | | | inconsistent with the customer's business. |
| 25 | Public Complaint | Complaint received from public. | Complaint received from public for abuse of account for committing fraud etc. |
| 26 | Business Associates | Alert raised by agent. | Alert raised by agents about suspicion. |
| 27 | | Alert raised by other institution. | Alert raised by other institutions, subsidiaries or business associates including cross- border referral. |