

Policy Guidelines on Know Your Customer(KYC) norms and Anti-Money Laundering (AML) measures

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Introduction:

Reserve Bank of India (RBI) has issued guidelines on „Know Your Customer“ (KYC) Guidelines - Anti Money Laundering Standards for Non- Banking Financial Companies (NBFCs) thereby setting standards for prevention of money laundering activities and corporate practices while dealing with their customers vide various Circulars from time to time.

RBI has issued Master Direction – Know Your Customers (KYC) Direction, 2016 on February 25, 2016 **RBI / DBR / 2015-16 / 18 Master Direction DBR. AML. BC. No. 81/14.01.001/201516** (updated on January 04, 2024). These directions are applicable to every entity regulated by RBI. NBFCs has been specifically included in the list of entities to whom the directions is applicable in the directions. The Company shall comply with the directions, to the extent applicable for NBFCs.

The Company shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications if any necessary to this code to conform to the standards so prescribed. This policy is applicable across all branches / business segments of the Company, and its financial subsidiaries and is to be read in conjunction with related operational guidelines issued from time to time. The contents of the policy shall always be read in tandem/auto- corrected with the changes/modifications which shall be advised by RBI from time to time.

The Company endeavors to frame a proper policy framework on Know Your Customer (KYC) and Anti Money Laundering measures. The Company is committed for transparency and fairness in dealing with all stakeholders and in ensuring adherence to all laws and regulations.

The company ensures that the information collected from the customer for any purpose would be kept as confidential and not divulge any details thereof. The Company commits that information sought from the customer is relevant to the perceived risk, is not intrusive, and is in conformity with the guidelines issued in this regard. Any other information from the customer shall be sought separately with his /her consent and after effective rendering of services.

The Company shall also communicate its KYC norms to its customers. The Company shall ensure that the implementation of the KYC norms is the responsibility of the entire organization.

The Company’s Board of Directors and the management team are responsible for implementing the KYC norms hereinafter detailed, and also to ensure that its operations reflect its initiatives to prevent money laundering activities.

For the purpose of KYC policy, a “Customer” shall be defined as:

A person who is engaged in a financial transaction or activity with a Regulated Entity (RE) and includes a person on whose behalf the person who is engaged in the transaction or

activity, is acting.

Objective:

The objective of KYC guidelines is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedure also enable the Company to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently.

The Company hereunder framing its KYC policies incorporating the following four key elements:

- (i) Customer Acceptance Policy;
- (ii) Risk management;
- (iii) Customer Identification Procedures;
- (iv) Monitoring of Transactions; and

Definitions

The terms and references used in this Policy shall bear the meanings assigned to them in Annexure IV.

Customer Acceptance Policy(CAP)

The guidelines for Customer Acceptance Policy (CAP)for the Company are given below:

- a. No account is opened in anonymous sorfictitious / benaminame.
- b. No account is opened where the RE is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.
- c. No transaction or account based relationship is undertaken without following the CDD procedure.
- d. The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- e. ‘Optional’/additional information is obtained with the explicit consent of the customer after the account is opened.
- f. REs shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC Compli-ant customer of a RE desires to open another account with the same RE, there shall be no need for a fresh CDD exercise
- g. CDD Procedure is followed for all the joint account holders, while opening a joint ac-
count.
- h. Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- i. Suitable system is put in place to ensure that the identity of the customer does not match

with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.

- j. It shall be ensured that customer acceptance policy and procedure shall not result in denial in financial facility to members of general public especially those who are financially or socially disadvantaged.

Risk Management

- a. Company shall have risk based approach while complying with Know Your Customer Policy and Procedures.
- b. The Company shall classify customers into various risk categories and based on risk perception decide on acceptance criteria for each customer category.
- c. Accept customers after verifying their identity as laid down in customer identification procedures.
- d. While carrying out due diligence the Company shall ensure that the procedure adopted shall not result in denial of services to the genuine customers.
- e. For the purpose of risk categorization of customer, Company shall obtain the relevant information from the customer at the time of account opening.
- f. Risk categorization will be undertaken based on various parameters such as customer identity, social / financial status, nature of business activity, location of customer, profile of his clients, information about clients' business, mode of payments, volume of turnover, etc. While considering customers identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.
- g. customers requiring very high level of monitoring, e.g. Politically Exposed Persons (PEPs –as explained in (Annex II) may, if considered necessary, be categorized even higher.
- h. Information called for different categories of the customers relating to the perceived risk should be no intrusive.
- i. The FATF public statement, the reports and guidance notes issued by RBI etc. may also be used in risk assessments.
- j. Documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of Prevention of Money Laundering(PML) Act, 2002 and guidelines issued by Reserve Bank from time to time.
- k. It shall be necessary to have suitable built in safeguards to avoid harassment of the customer. For example, decision to close an account shall be taken at a reasonably high level after giving due notice to the customer explaining the reasons for such a decision.
- l. Circumstances, in which a customer is permitted to act on behalf of another person/entity, shall be clearly spelt out in conformity with the established law and practice of banking as there shall be occasions when an account is operated by a mandate holder or where an account shall be opened by an intermediary in the fiduciary capacity, and
- m. Necessary checks before opening a new account so as to 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.
- n. The Company shall prepare a profile for each new customer based on risk categorization. The nature and extent of due diligence shall depend on the risk perceived by the Company. The customer profile shall be a confidential document and details contained therein shall not be divulged for cross selling or any other purposes.

- o. For the purpose of risk categorization, individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, shall be categorized as low risk. Illustrative examples of low risk customers would be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover, Government departments & Government owned companies, regulators and statutory bodies etc. In such cases, the policy may require that only the basic requirements of verifying the identity and location of the customer are to be met. Customers that are likely to pose a higher than average risk to the bank may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc. Banks may apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive „due diligence“ for higher risk customers, especially those for whom the sources of funds are not clear.
- p. Examples of customers requiring higher due diligence may include
- i. non-resident customers,
 - ii. high networth individuals,
 - iii. trusts, charities, NGOs and organizations receiving donations,
 - iv. companies having close family shareholding or beneficial ownership,
 - v. firms with 'sleeping partners',
 - vi. politically exposed persons (PEPs) of foreign origin,
 - vii. non-face to face customers, and
 - viii. those with dubious reputation as per public information available, etc.
- q. Adoption of customer acceptance policy and its implementation shall not become too restrictive and shall not result in denial of financial services to general public, especially to those, who are financially or socially disadvantaged.
- r. As advised by RBI under Circular No. DNBS(PD)CC.No.193/03.10.42/2010-11, the Company shall not allow opening and/or holding of an account on behalf of a client/s by professional intermediaries, like Lawyers and Chartered Accountants, etc., who are unable to disclose true identity of the owner of the account/funds due to any professional obligation of customer confidentiality. Further, any professional intermediary who is under any obligation that inhibits the Company's ability to know and verify the true identity of the client on whose behalf the account is held or beneficial ownership of the account or understand true nature and purpose of transaction/s, should not be allowed to open an account on behalf of a client.

Customer Identification Procedure (CIP)

Company shall undertake identification of customers in the following cases:

- (a) Commencement of an account-based relationship with the customer.
- (b) Carrying out any international money transfer operations for a person who is not an account holder of the bank.
- (c) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- (d) Selling third party products as agents, selling their own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than rupees fifty thousand.
- (e) Carrying out transactions for a non-account based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
- (f) When a RE has reason to believe that a customer (account- based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.

For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, Company, shall at their option, rely on customer due diligence done by a third party, subject to the following conditions:

- (a) Necessary Record/ information of such customers" due diligence carried out is obtained within two days from the third party or from the Central KYC Records Registry by Company.
- (b) Adequate steps are taken by Company to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.
- (c) The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.
- (d) Thethirdpartyshallnotbebasedinacountryorjurisdictionassessedashighrisk.
- (e) The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the RE.

Customer Due Diligence (CDD) Procedure***Part I-Procedure for obtaining Identification Information**

Company shall obtain the following information from an individual while establishing an account based relationship or while dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity for undertaking CDD,:

a) From an individual who is eligible for enrolment of Aadhaar, the Aadhaar number; the Permanent Account Number (PAN) or Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time;

Provided, where an Aadhaar number has not been assigned to an individual, proof of application of enrolment for Aadhaar shall be obtained wherein the enrolment is not older than 6 months and in case PAN is not submitted, certified copy of an OVD containing details of identity and address and one recent photograph shall be obtained.

“Explanation- Obtaining a certified copy by reporting entity shall mean comparing the copy of officially valid document so produced by the client with the original and recording the same on the copy by the authorised officer of the reporting entity”

Provided further, that from an individual, who is a resident in the State of Jammu and Kashmir or Assam or Meghalaya, and who does not submit Aadhaar or proof of application of enrolment for Aadhaar, the following shall be obtained:

- i. Certified copy of an OVD containing details of identity and address and
- ii. One recent photograph

b) From an individual who is not eligible to be enrolled for an Aadhaar number, or who is not a resident, the following shall be obtained:

- i. PAN or Form No.60 as defined in Income-tax Rules, 1962, as amended from time to time.
- ii. One recent photograph and
- iii. A certified copy of an OVD containing details of identity and address.

Provided that in case the OVD submitted 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.

Provided further that, while opening accounts of legal entities as specified in part III of this Master Direction, in case, PAN of the authorized signatory or the power of attorney holder is not submitted, the certified copy of OVD of the authorised signatory or the power of attorney holder shall be obtained, even if such OVD does not contain address.

Explanation 1: Aadhaar number shall not be sought from individuals who are not residents as defined under these Directions.

Explanation 2: A declaration to the effect of individual not being eligible for enrolment of Aadhaar may be obtained by the RE

Explanation 3: Customers, at their option, shall submit one of the five OVDs:

(c) In case the identity information relating to the Aadhaar number or Permanent Account Number submitted by the customer does not have current address, an OVD as defined in section 3(a)

(xiv) shall be obtained from the customer for this purpose.

“Provided that in case the OVD furnished by the customer does not contain updated address, the following documents shall be deemed to be OVDs 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 Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation;

Provided further that the customer shall submit Aadhaar or OVD updated with current address within a period of three months of submitting the above documents”

(d) Company, at the time of receipt of the Aadhaar number, shall carry out, with the explicit consent of the customer, e-KYC authentication (biometric or OTP based) or Yes/No authentication.

Provided,

- i. Yes/No authentication shall not be carried out while establishing an account based relationship.
- ii. In case of existing accounts where Yes/No authentication is carried out, Company shall ensure to carry out biometric or OTP based e-KYC authentication within a period of six months after carrying out yes/no authentication.
- iii. Yes/No authentication in respect of beneficial owners of a legal entity shall suffice in respect of existing accounts or while establishing an account based relationship.

Where OTP based authentication is performed in „non-face to face“ mode for opening new accounts, the limitations as specified in Section 17 of the principle direction shall be applied.

Biometric based e-KYC authentication can be done by bank official/business correspondents/business facilitators/ Biometric enabled ATMs.

Explanation1: While seeking explicit consent of the customer, the consent provisions as specified in Section 5 and 6 of the Aadhaar (Authentication) Regulations, 2016, shall be observed.

Explanation 2: Company shall allow the authentication to be done at any of their branches.

(e) In case the customer eligible to be enrolled for Aadhaar and obtain a Permanent Account Number, referred to in Section 15(a) of the principal direction, does not submit the Aadhaar number or the Permanent Account Number/ form 60 at the time of commencement of an account based relationship with Company, the Customer shall submit the same within a period of six months from the date of the commencement of the account based relationship. In case the customer fails to submit the Aadhaar number or Permanent Account Number/form 60 within the aforesaid six months period, the said account shall cease to be operational till the time the Aadhaar number and Permanent Account Number/ form 60 is submitted by the customer.

Explanation: In case of asset accounts such as loan accounts, for the purpose of ceasing the operation in the account, only credits shall be allowed.

(f) Company shall duly inform the customer about this provision while opening the account.

(g) The customer, eligible to be enrolled for Aadhaar and obtain the Permanent Account Number, except one who is a resident in the State of Jammu and Kashmir or Assam or Meghalaya, already having an account based relationship with REs, shall submit the Aadhaar number and Permanent Account Number/ form 60 by such date as may be notified by the Central Government. In case the customer fails to submit the Aadhaar number and Permanent Account Number/form 60 by such date, the said account shall cease to be operational till the time the Aadhaar number and Permanent Account Number/form 60 is submitted by the customer.

Provided Company shall serve at least two notices for the compliance before such date.

(h) Company shall ensure that introduction is not to be sought while opening accounts.

Part I–CDD Procedure in case of individuals

Company shall follow the below mentioned procedure while establishing an account based relationship with an individual:

- (a) Obtain information as mentioned above under procedure for obtaining identification procedure; and
- (b) such other documents pertaining to the nature of business or financial status specified by the RE in their KYC policy.

Provided that information collected from customers for the purpose of opening of account shall be treated as confidential and details there of shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.

Explanation: CDD procedure, including Aadhaar authentication and obtaining PAN/ form 60 as applicable, shall be carried out for all the joint account holders.

Further accounts can be opened using OTP based e-KYC, in non face to face mode subject to the following conditions:

- (i) There must be a specific consent from the customer for authentication through OTP
- (ii) The aggregate balance of all the deposit accounts of the customer shall not exceed rupees one lakh. In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD as mentioned at (v) below is complete.
- (iii) the aggregate of all credits in a financial year, in all the deposit taken together, shall not exceed rupees two lakh.
- (iv) As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.
- (v) Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year within which Biometric based e-KYC authentication is to be completed.
- (vi) If the CDD procedure as mentioned above is not completed within a year, in respect of deposit accounts, the same shall be closed immediately. In respect of borrowal accounts no further debits shall be allowed.
- (vii) REs shall ensure that only one account is opened using OTP based KYC in non face to face mode and 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. Further, while uploading KYC information to CKYCR, Company shall clearly indicate that such accounts are opened using OTP based e-KYC and other Company shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non face to face mode.

- (viii) Company shall have strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above mentioned conditions.

The e-KYC service of Unique Identification Authority of India (UIDAI) shall be accepted as a valid process for KYC verification under the PML Rules, as

- (a) the information containing demographic details and photographs made available from UIDAI as a result of e-KYC process is treated as an „Officially Valid Document; and
(b) transfer of KYC data, electronically to the RE from UIDAI, is accepted as valid process for KYC verification.

Provided Company/ Business Correspondents (BCs)/ Business Facilitators (BFs) shall obtain authorisation from the individual user authorising UIDAI by way of explicit consent to release his/her identity/address through biometric authentication to the Company.

Provided further that a Company may provide an option for One Time Pin (OTP) based e-KYC process for on-boarding of customers. Accounts opened in terms of this proviso i.e., using OTP based e-KYC, are subject to the following conditions:

- i. There must be a specific consent from the customer for authentication through OTP
- ii. the aggregate balance of all the deposit accounts of the customer shall not exceed rupees one lakh.
- iii. the aggregate of all credits in a financial year, in all the deposit taken together, shall not exceed rupees two lakh.
- iv. As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.
- v. Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year within which Customer Due Diligence (CDD) procedure as provided in section 16 or as per the first proviso of Section 17 of the Principal Direction is to be completed. If the CDD procedure is not completed within a year, in respect of deposit accounts, the same shall be closed immediately. In respect of borrowal accounts no further debits shall be allowed.
- vi. 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 either with the same RE or with any other RE. Further, while uploading KYC information to CKYCR, REs 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.

- vii. REs shall have strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above mentioned conditions.

In case an individual customer who does not have Aadhaar/enrolment number and PAN and desires to open a bank account, banks shall open a „Small Account“, subject to the following:

- (a) The bank shall obtain a self-attested photograph from the customer.
- (b) The designated officer of the bank certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.
- (c) Such accounts are opened only at Core Banking Solution (CBS) linked branches or in a branch where it is possible to manually monitor and ensure that foreign remittances are not credited to the account.
- (d) Banks shall ensure that the stipulated monthly and annual limits on aggregate of transactions and balance requirements in such accounts are not breached, before a transaction is allowed to take place.
- (e) The account shall remain operational initially for a period of twelve months which can be extended for a further period of twelve months, provided the account holder applies and furnishes evidence of having applied for any of the OVDs during the first twelve months of the opening of the said account.
- (f) The entire relaxation provisions shall be reviewed after twenty four months.
- (g) The account shall be monitored and when there is suspicion of money laundering or financing of terrorism activities or other high risk scenarios, the identity of the customer shall be established through the production of an OVD and Aadhaar Number or where an Aadhaar number has not been assigned to the customer through the production of proof of application towards enrolment for Aadhaar which is not more than six months old, along with an OVD.
- (h) Foreign remittance shall not be allowed to be credited into the account unless the identity of the customer is fully established through the production of an OVD and Aadhaar Number or the enrolment number which is not more than six months old, where the person is eligible to enroll for Aadhaar number has not been assigned an Aadhaar number.

Provided that if the client is not legible to be rolled for the Aadhaar number, the identity of client shall be established through the production of an OVD.

Simplified procedure for opening accounts by Non-Banking Finance Companies (NBFCs):

In case a person who desires to open an account is not able to produce identification information as mentioned above under procedure for obtaining identification procedure, NBFC may at their discretion open accounts subject to the following conditions

- (a) NBFC shall obtain a self-attested photograph from the customer.

- (b) The designated officer of the NBFCs 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 the customer has to furnish identification information as mentioned above under procedure for obtaining identification procedure.
- (d) The identification process as mentioned above under procedure for obtaining identification procedure. is to be completed for all the existing accounts opened on the basis of introduction earlier, within a period of six months.
- (e) balances in all their accounts taken together shall not exceed rupees fifty thousand at any point of time
- (f) the total credit in all the accounts taken together shall not exceed rupees one lakh in a year.
- (g) The customer shall be made aware that no further transactions will be permitted until the full KYC procedure is completed in case Directions (e) and (f) above are breached by him.
- (h) 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 (e) and (f) above.

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

Digital KYC Details:

The Reserve Bank of India has released fresh guidelines for the know your customer (KYC) processes that allow for them to be completed remotely.

"Fresh KYC process can be done by visiting a branch, or remotely through a Video based Customer Identification Process (V-CIP) (wherever the same has been enabled by the banks), as provided in Section 18 of the Master Direction on KYC," the RBI said in a statement. In addition the RBI has advised banks to provide non-face-to-face channels to self-declare a KYC in case there is no change in the information.

The Reserve Bank of India ("RBI") notified an amendment to the Know Your Customer ("KYC") Master Direction 2016 ("KYC Directions") on 9th January 2020. The amendment permits Digital KYC and Video based Customer Identification ("V-CIP") as methods to verify a customer's identity.

To facilitate Customer Due Diligence ("CDD") procedures, the RBI now allows Regulated Entities ("REs") to authenticate a customer's identity through Digital KYC i.e. by capturing a live photograph of the customer. Digital KYCs shall be carried out to verify either any Officially Valid Document ("OVD") or Aadhaar in the absence of offline verification. The photograph must be captured by an authorised officer of the RE along with the latitude and longitude of the location where such photograph is taken. The live photograph which is embedded in the customer application form. Banks may employ business correspondents to carry out such authentication.

The amended KYC Directions now detail the process to be undertaken by REs for carrying out Digital KYC. The process primarily includes the following:

1. Developing a secure application to carry out the process which records accurate technical details such as the application number, GPS coordinates, date and time stamps, the authorised official's name and his/her assigned unique employee code;
2. Ensuring that the photograph of the customer and the OVD or Aadhaar captured live, is with a white background and taken in adequate light. The REs must ensure that the photograph is not skewed or tilted;
3. Ensure OTP verifications are undertaken to verify the details provided by the customer and to verify the identity of the authorised officer of the RE;
4. Ensure that while the application form along with the live photographs are digitally signed, the original OVD or Aadhaar is returned to the customer; and
5. The KYC Directions clarify that Digital KYC can be conducted either by the authorised officer of the RE visiting the customer or by the customer visiting the location of the authorised officer.

a. *Video-based customer identification process*

In addition to the OTP based e-KYC, the RBI has now introduced another option that is the VCIP under the CDD procedure, for undertaking verification of documents for an account-based relationship. V-CIP is a real-time, consent based audio visual interaction between the RE and the customer for the purpose of identification.

V-CIP can be undertaken by an official of the RE who records live video and captures a live photograph of the customer as well as the document being submitted for identification i.e. either the Permanent Account Number (“PAN”) card or the Aadhaar.

1. If the customer wishes to give his/her PAN card, the same is verified with the database of the issuing authority.
2. If the customer wishes to give Aadhaar for identification in the process, REs other than banks may carry out offline verification while banks are allowed to undertake OTP based e-KYC authentication. However, the Aadhaar number must be redacted or blacked out. Further, if an XML file or an Aadhaar Secure QR Code is used for offline verification, such XML file or QR code should not be older than 3 days from the date of carrying out V-CIP.

To carry out V-CIP, the REs must primarily ensure the following:

1. The official of the RE must be specifically trained for this purpose and must ensure that the photograph and details of the PAN/Aadhaar match with the details provided by the customer. The video feed must be triggered from the domain of the RE itself and not on a third party’s domain.
2. The sequence and nature of questions during the live video must be shuffled in order to ensure that the identification is happening in real-time.
3. Technical safeguards must be put in place with regular software and security audits. There must be end-to-end encryption, geotagging (to ensure that the customer is in India), maintenance of activity logs, recording of date and time stamps and secure storage. The RBI also encourages the use of artificial intelligence and facial recognition technologies.
4. While banks may employ business correspondents to facilitate V-CIP, the business correspondents can facilitate the process only at the customer’s end. The person at the other end of the video interaction must be a bank official. Further, the banks must maintain details of the business correspondents that assist the customer during V-CIP.

b. Equivalent E-documents

In a long-awaited move, the KYC Directions now recognise the validity of e-documents which can be produced by customers for CDD procedures. Such documents must contain valid Digital Signatures [2] and would include documents issued to the customer through respective digital locker accounts envisioned by the government under the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.

Conclusion

RBI’s move will have a huge impetus on easing KYC challenges and hurdles faced by the REs until now. Needless to state, not only would the implementation of such procedures by REs make their identification systems more secure, it also opens up commercially less burdensome processes to ensure easy onboarding and inclusion of customers across the nation.

Part II – CDD Measures for Sole Proprietary firms

For opening an account in the name of a sole proprietary firm identification information as mentioned above mentioned above under procedure for obtaining identification procedure in respect of the individual (proprietor) shall be obtained

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

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

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

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

Part III – CDD Measures for Legal Entities

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

- (a) Certificate of incorporation.
- (b) Memorandum and Articles of Association.
- (c) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf.
- (d) Identification information as mentioned above under procedure for obtaining identification procedure in respect of managers, officers or employees holding an attorney to transact on its behalf.

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

- (a) Registration certificate.
- (b) Partnership deed.
- (c) Identification information as mentioned above under procedure for obtaining identification procedure in respect of the person holding an attorney to transact on its behalf.

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

- (a) Registration certificate.
- (b) Trust deed.
- (c) Identification information as mentioned under Section 15 in respect of the person holding a power of attorney to transact on its behalf.

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

- (a) Resolution of the managing body of such association or body of individuals;
- (b) Power of attorney granted to transact on its behalf;
- (c) Identification information as mentioned under Section 15 in respect of the person holding an attorney to transact on its behalf and
- (d) 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

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, 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. Aadhaar/ PAN/ Officially valid documents 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.

Part IV-Identification of Beneficial Owner

For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and all reasonable steps in terms of Rule 9(3) of the Rules to verify his/her identity shall be undertaken keeping in view the following:

- (a) Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.
- (b) In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

Part V-On-going Due Diligence

Company shall undertake on-going due diligence of customers to ensure that the transactions are consistent with their knowledge about the customers, customers "business and risk profile; and the source of funds.

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

- a) Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
- b) Transactions which exceed the thresholds prescribed for specific categories of accounts.
- c) High account turnover inconsistent with the size of the balance maintained.
- d) Deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

Explanation: High risk accounts have to be subjected to more intensified monitoring The extent of monitoring shall be aligned with the risk category of the customer.

- (a) A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.
- (b) The transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies shall be closely monitored.

Periodic Updating

Periodic updating shall be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers subject to the following procedure:

- i. PAN verification from the verification facility available with the issuing authority and
 - ii. Authentication of Aadhaar Number already available with the RE with the explicit consent of the customer in applicable cases.
 - iii. In case identification information available with Aadhaar does not contain current address an OVD containing current address may be obtained.
 - iv. Certified copy of OVD containing identity and address shall be obtained at the time of periodic updation from individuals not eligible to obtain Aadhaar, except from individuals who are categorised as “low risk”. In case of low risk customers when there is no change in status with respect to their identities and addresses, a self-certification to that effect shall be obtained.
 - v. In case of Legal entities, RE shall review the documents sought at the time of opening of account and obtain fresh certified copies.
- (b) Company may not insist on the physical presence of the customer for the purpose of furnishing OVD or furnishing consent for Aadhaar authentication unless there are sufficient reasons that physical presence of the account holder/holders is required to establish their bona- fides. Normally, OVD/Consent forwarded by the customer through mail/post, etc., shall be acceptable.
- (c) Company shall ensure to provide acknowledgment with date of having performed KYC updation.
- (d) The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.

Part VI- Enhanced and Simplified Due Diligence Procedure**A. Enhanced Due Diligence**

Accounts of non-face-to-face customers: Company shall ensure that the first payment is to be effected through the customer's KYC-complied account with another RE, for enhanced due diligence of non-face to face customers

Accounts of Politically Exposed Persons (PEPs)

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

- (a) Sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP;
- (b) The identity of the person shall have been verified before accepting the PEP as a customer;
- (c) the decision to open an account for a PEP is taken at a senior level in accordance with the Company's Customer Acceptance Policy;
- (d) all such accounts are subjected to enhanced monitoring on a non-going basis;
- (e) 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; and
- (f) the CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.

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

Client accounts opened by professional intermediaries:

Company shall ensure while opening client 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) 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) 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 RE.
- d) All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of RE, and there are 'sub-accounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of RE, the

- RE shall look for the beneficial owners.
- e) Company shall, at their discretion, rely on the 'customer due diligence' (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.
 - f) The ultimate responsibility for knowing the customer lies with the RE.

B. Simplified Due Diligence

Simplified norms for Self Help Groups(SHG)

- (a) CDD of all the members of SHG as per the CDD procedure mentioned in Section 15 of the MD shall not be required while opening the savings bank account of the SHG
- (b) CDD as per the CDD procedure mentioned in Section 15 of the MD of all the office bearers shall suffice
- (c) No separate CDD as per the CDD procedure mentioned in Section 15 of the MD of the members or office bearers shall be necessary at the time of credit linking of SHGs.

CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR)

Company shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as required by the revised KYC templates prepared for „individuals“ and Legal Entities“ as the case may be. Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015.

The “live run” of the CKYCR would start with effect from July 15, 2016 in phased manner beginning with new „individual accounts“. Accordingly, Company shall take the following steps:

- i. In the first phase, Scheduled Commercial Banks (SCBs) may upload the KYC data with CERSAI, in respect of new individual accounts opened on or after July 15, 2016.
- ii. Company other than SCBs may also participate in the live run of CKYCR from July 15, 2016.
- iii. Those Company which are not yet ready to join CKYCR process immediately, shall take steps to prepare their systems for uploading the KYC data in respect of new individual accounts so that the same is complete as soon as possible in a time bound manner.
- iv. Company shall prepare a plan for uploading the data in respect of existing individual accounts and include the same in their KYC Policy.
- v. Operational Guidelines (version 1.1) for uploading the KYC data has been released by CERSAI. Further Test Environment has also been made available by CERSAI for the use of Company.

Record Management

The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provisions of PML Act and Rules. Company shall,

- (a) maintain all necessary records of transactions between the RE and the customer, both domestic and international, for at least five years from the date of transaction;
- (b) preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least five years after the business relationship is ended;
- (c) make available the identification records and transaction data to the competent authorities upon request;
- (d) introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005);
- (e) maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:
 - (i) the nature of the transactions;
 - (ii) the amount of the transaction and the currency in which it was denominated;
 - (iii) the date on which the transaction was conducted; and
 - (iv) the partiest other transaction.
- (f) Evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities; and
- (g) maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format.

Reporting Requirements to Financial Intelligence Unit–India

Company shall furnish to the Director, Financial Intelligence Unit-India (FIU-IND), information referred to in Rule 3 of the PML (Maintenance of Records) Rules, 2005 in terms of Rule 7 thereof.

The reporting formats and comprehensive reporting format guide, prescribed/ released by FIU- IND and Report Generation Utility and Report Validation

Utility developed to assist reporting entities in the preparation of prescribed reports shall be taken note of. The editable electronic utilities to file electronic Cash Transaction Reports (CTR) / Suspicious Transaction Reports (STR) which FIU-IND has placed on its website shall be made use of by Company which are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data. The Principal Officers of those Company, whose all branches are not fully computerized, shall have suitable arrangement

to cull out the transaction details from branches which are not yet computerized and to feed the data into an electronic file with the help of the editable electronic utilities of CTR/STR as have been made available by FIU- IND on its website <http://fiuindia.gov.in>.

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 misrepresented transaction beyond the time limit

as specified in the Rule shall be constituted as a separate violation. Company shall not put any restriction on operations in the accounts where an STR has been filed. Company shall keep the fact of furnishing of STR strictly confidential. It shall be ensured that there is no tipping off to the customer at any level.

Robust software, throwing alerts when the transactions are inconsistent with risk categorization and updated profile of the customers shall be put in to use as a part of effective identification and reporting of suspicious transactions.

The Company shall not put any restrictions on operations in the accounts where an STR has been made. However, it shall be ensured that there is no tipping off to the customer at any level.

For determining integrally connected cash transactions, NBFCs shall take into account all individual cash transactions in an account during a calendar month, where either debit or credit summation, computed separately, exceeds Rupees ten lakh during the month.

All cash transactions, where forged or counterfeit Indian currency notes have been used as genuine shall be reported by the Principal Officer to FIU-IND immediately. These cash transactions shall also include transactions where forgery of valuable security or documents has taken place and may be reported to FIU-IND in plain text form.

“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 are as on able ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- b. appears to be made in circumstances of unusual or unjustified complexity; or
- c. appears on 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.

It is likely that in some cases transactions are abandoned/ aborted by customers on being asked to give some details or to provide documents. The Company shall report all such attempted transactions in STRs, even if not completed by customers, irrespective of the

amount of the transaction.

The Company shall make STRs if they have reasonable ground to believe that the transaction involve proceeds of crime generally irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences in part B of Schedule of PMLA, 2002.

In the context of creating KYC/AML awareness among the staff and for generating alerts for suspicious transactions, the Company shall consider the indicative list of suspicious activities contained in Annex-III

Requirements/obligations under International Agreements Communications from International Agencies –

Company shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC). The details of the two lists are as under:

- (a) The “ISIL (Da’esh) & Al-Qaida Sanctions List”, which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al-Qaida Sanctions List is available at <https://scsanctions.un.org/fop/fop?xml=htdocs/resources/xml/en/consolidated.xml&xslt=htdocs/resources/xsl/en/al-qaida-r.xsl>
- (b) The “1988 Sanctions List”, consisting of individuals (Section A of the consolidated list) and entities (Section B) associated with the Taliban which is available at <https://scsanctions.un.org/fop/fop?xml=htdocs/resources/xml/en/consolidated.xml&xslt=htdocs/resources/xsl/en/taliban-r.xsl>.

Details of accounts resembling any of the individuals/entities in the lists shall be reported to FIU-IND apart from advising Ministry of Home Affairs as required under UAPA notification dated August 27, 2009.

In addition to the above, other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time to time shall also be taken note of.

Freezing of Assets under Section 51 A of Unlawful Activities (Prevention) Act, 1967

The procedure laid down in the UAPA Order dated August 27, 2009 (Annex I of this Master Direction shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured.

Jurisdictions that do not or insufficiently apply the FATF Recommendations

- (a) FATF Statements circulated by Reserve Bank of India from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered. Risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement shall be taken into account.
- (b) 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.
- (c) 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.

Other Instructions**Secrecy Obligations and Sharing of Information**

- (a) Company shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the banker and customer.
- (b) While considering the requests for data/information from Government and other agencies, 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 in the banking transactions.
- (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 Company requires disclosure; and
 - iv. Where the disclosure is made with the express or implied consent of the customer.
- (d) NBFCs shall maintain confidentiality of information as provided in Section 45NB of RBI Act 1934.

Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)

Under FATCA and CRS, Company shall adhere to the provisions of Income Tax rules 114F, 114G, and 114H and determine whether they are a Reporting Financial Institution as defined in Income Tax Rule 114F and if so, shall take following steps for complying

with the reporting requirements.

- a. Register on the related e-filing portal of Income Tax Department as required under 285 BA of Income Tax Act.
- b. Obtain Global Intermediary Identification Numbers (GIIN).
- c. Mr. Akash Suri, Chief Executive Officer of the Company has been designated as Responsible Person (RP).
- d. Mr. Deepak Dhingra, Financial Controller have been designated as Points of Contact (PoC).

Unique Customer Identification Code (UCIC)

- (a) A Unique Customer Identification Code (UCIC) shall be allotted while entering into new relationships with individual customers as also the existing customers by banks and NBFCs.
- (b) The banks/NBFCs shall, at their option, not issue UCIC to all walk-in/occasional customers such as buyers of pre-paid instruments/purchasers of third party products provided it is ensured that there is adequate mechanism to identify such walk-in customers who have frequent transactions with them and ensure that they are allotted UCIC.
- (c) This UCIC will be used to identify customers, track the facilities availed, monitor financial transactions in a holistic manner and enable NBFCs to have a better approach to risk profiling of customers.

Introduction of New Technologies – Net Banking/ Mobile Banking/RTGS/NEFT/ECS/IMPS etc.

Adequate attention shall be paid by Company to any money-laundering and financing of terrorism threats that may arise from new or developing technologies and it shall be ensured that appropriate KYC procedures issued from time to time are duly applied before introducing new products/services/technologies. Agents used for marketing of credit cards shall also be subjected to due diligence and KYC measures.

Hiring of Employees and Employee training

- (a) Adequate screening mechanism as an integral part of their personnel recruitment/hiring process shall be put in place.
- (b) On-going employee training programme shall be put in place so that the members of staff are adequately trained in AML/CFT policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in

AML/CFT policies of the RE, regulation and related issues shall be ensured.

Adherence to Know Your Customer (KYC) guidelines by NBFCs/RNBCs and persons authorised by NBFCs/ RNBCs including brokers/ agents etc.

- (a) Persons authorised by NBFCs/ RNBCs for collecting the deposits and their brokers/agents or the like, shall be fully compliant with the KYC guidelines applicable to NBFCs/RNBCs.
- (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 NBFCs/RNBCs including brokers/ agents etc .who are operating on their behalf.
- (c) The books of accounts of persons authorised by NBFCs/RNBCs including brokers/agents or the like, so far as they relate to brokerage functions of the company, shall be made available for audit and inspection whenever required.

Monitoring of Transactions

Ongoing monitoring is an essential element of effective KYC procedures. The Company can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity. However, the extent of monitoring shall depend on the risk sensitivity attached with the client. 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.

The Company shall prescribe threshold limits for a particular category of clients and pay particular attention to the transactions which exceed these limits, Transactions that involve large amounts of cash in consistent with the normal and expected activity of the customer would particularly attract the attention of the Company. The Company does not accept any deposits. Further, there are no operative accounts where in the need for fixing the threshold limits for individual transactions and aggregate is more relevant and necessary. Most of the Company's loans are EMI based loans on all categories of borrowers. Hence the transactions with the Company are purely restricted to the EMI/loan repayable over the tenor of the loan. Hence while the threshold limit for transactional basis is restricted to the EMI/loan payable, the threshold for turnover shall be restricted to the aggregate EMIs payable year after year. No other transactions what so ever nature other than repayment of loan with interest is carried out by the customer with the Company.

As per RBI Circular No. RBI/2010-11/419 DNBS(PD)CCNo212/03.10.42/2010-11 NBFCs were further advised that in view of the risks involved in cash intensive businesses, accounts of bullion dealers (including sub-dealers) and jewelers should also be categorized by NBFCs as „high risk“ requiring enhanced due diligence. The Company shall implement

the same and classify such bullion dealers and jewelers under “high risk” category and any transactions in their loan accounts would be monitored on daily basis.

Very high account turnover inconsistent with the size of the balance maintained may indicate that funds are being 'washed' through the account. High-risk accounts shall be subjected to intensified monitoring. The Company shall set key indicators for such accounts, taking note of the background of the customer, such as the country of origin, sources of funds, the type of transactions involved and other risk factors. The Company shall put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures. The Company shall ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002. It may also be ensured that transactions of suspicious nature and/or any other type of transaction notified under section 12 of the PML Act, 2002, shall be reported to the appropriate law enforcement authority.

- a) The Company shall put in place a system of periodical review of risk categorisation of accounts and the need for applying enhanced due diligence measures in case of higher risk perception on a customer. Review of risk categorization of customers shall be carried out at a periodicity of not less than once in six months.
- b) The Company shall also introduce a system of periodical updation of customer identification data after the account is opened. Full KYC exercise will be required at least every two years for High Risk individual and entities, every eight years for medium risk category and every ten years for low risk.
- c) Fresh photographs to be obtained from minor customers, if any, on becoming major.
- d) The Company shall ensure that its branches continue to maintain proper record of all cash transactions. The internal monitoring system shall have an inbuilt procedure for reporting of such transactions and those of suspicious nature to controlling / head office on a fortnightly basis.

Section 3 of the Prevention of Money Laundering (PML) Act 2002 has defined the “offence of money laundering” as under:

“Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money laundering”.

The Company shall adopt the guidelines issued by RBI for Prevention of Money Laundering vide Circular No. DNBS (PD) CC No. 48/10.42/2004-05 dated 21-02-2005.

For assessment and monitoring of the risk categorization of the customers, the Company would take into consideration to necessary extent, the Guidance note on KYC norms / AML Standards issued by Indian Bank’s Association (IBA) for Banks as advised by RBI vide its Circular No. RBI/2011-12/466 DNBS (PD).CC. No 264/03.10.42/2011-12 dated March 21, 2012.

All transactions of cash and suspicious as required under PML Act 2002 shall be reported to FIU from time to time .The Principal Officer specified by the Company shall ensure that such reporting system is in place and shall monitor receipt of the reports. The name of the Principal Officer shall be specified by the CEO of the Company from time to time.

All transactions of suspicious nature and / or any other type of transaction notified under section 12 of the PML Act, 2002, shall be reported to the appropriate law enforcement authority by the Principal Officer.

Disbursal of Loan amount in cash

Company shall ensure compliance with the requirements under section 269SS , 269T and 269ST of the Income Tax Act,1961 as amended from time to time as advised by RBI vide its circular No. DNBR (PD) CC No. 086/03.10.001/2016-17March 09, 2017.

Customer Education

Implementation of KYC procedures requires the Company to demand certain information from customers which shall be of personal nature or which have hitherto never been called for. This may sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. The Company shall prepare specific literature/pamphlets etc.so as to educate the customer of the objectives of the KYC programme. The front desk staffs shall be specially trained to handle such situations while dealing with customers.

Appointment of Compliance/ Principal Officer

The Company has a senior management officer to be designated as Compliance/Principal Officer.Compliance/PrincipalOfficershallbelocatedatthehead/corporateofficeof the Company and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He shall maintain close liaison with enforcement agencies, banks and any other institution which are involved in the fight against money laundering and combating financing of terrorism.

Nominating Designated Director

- a. The Company shall nominate a Director on their Board or designate a person who holds the position of senior management or equivalent as “designated Director to ensure compliance with the obligations under the Prevention of Money Laundering (Amendment) Act,2012. However, the principal officer shall not be nominated as “Designated Director”.
 - i. The name, Designation and address of the designated director shall be communicated to FIU –IND.

Demat Accounts:

The Company shall follow all the guidelines issued by NSDL/CDSL and SEBI from time to time in respect of opening, capturing the details in the DPM system and maintenance of demat accounts. Necessary documents as prescribed by them for Proof of Identity (POI) and Proof of Address would be obtained at the time of opening the account. The procedures for in person verification would also be ensured as detailed out in the master circulars. The compliance with the guidelines would also be subjected to audit as prescribed in the master circulars. These guidelines would stand auto corrected in tandem with any subsequent clarification / modification in the guidelines issued by NSDL and CDSL based on SEBI directives. Necessary scrutiny of the transactions based on the reports / dumps received from NSDL/CDSL or suo moto would be made for identifying and reporting suspicious transactions, if any. The AML guidelines issued by SEBI under ISD/AML/CIR-1/2008 dated December 19, 2008 and CIR/MIRSD/1/2014 dated March 12,2014 enumerating the obligations of intermediaries under PMLA 2002, and Rules framed there under shall be strictly adhered to.

The Company shall adhere to the KRA requirements referred in SEBI Circular MIRSD/CIR- 26/2011 dated December 23, 2011.KYC Registration agency (KRA) has been registered with SEBI under the Securities and Exchange Board of India (KYC (Know Your Client) Registration Agency) Regulations 2011.CDSL Ventures Limited, a wholly owned subsidiary of CDSL is a registeredKRA.TheCompanywouldfollowstrictlyalltheKRAoperatinginstructionsandcomply with all the requirements .All the clients existing and prospective would be made aware of the requirements of the KRAin ensuring proper KYC compliance with effective dateJanuary1, 2012.

Company shall ensure compliance with KYC Policy through:

- (a) Specifying as to who constitute Senior Management “for the purpose of KYC compliance.
- (b) Allocation of responsibility for effective implementation of policies and procedures.
- (c) Independent evaluation of the compliance functions of REs “policies and procedures, including legal and regulatory requirements.
- (d) Concurrent/ internal audit system to verify the compliance with KYC/AML policies and procedures.
- (e) Submission of quarterly audit notes and compliance to the Audit Committee.

Company shall ensure that decision making functions of determining compliance with KYC norms are not outsourced

The Company shall abide by all guidelines, directives, instructions and advices of Reserve Bank of India as shall be in force from time to time. The contents in this document shall be read in conjunction with these guidelines, directives, instructions and advices. The

Company shall apply better practice so long as such practice does not conflict with or violate Reserve Bank of India/ SEBI regulations.

This document is the property of the Company. It contains information that is internal to the Company and is of competitive value and sensitive in nature. All employees must treat its contents as confidential and keep it secure.

Annexure—I

Customer Identification Procedure Features to be verified and documents that shall be obtained from customers

Documents that may be obtained from customers

KYC CHECKLIST	
Customers/Clients	Documents
	<p>The Aadhaar number; the Permanent Account Number (PAN) or Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time</p> <p>where an Aadhaar number has not been assigned to an individual, proof of application of enrolment for Aadhaar shall be obtained wherein the enrolment is not older than 6 months and in case PAN is not submitted, certified copy of an OVD containing details of identity and address and one recent photograph shall be obtained.</p> <p>Officially Valid Document” (OVD) means the passport, the driving licence, 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.</p> <p>A document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the state Government or Gazette Notification, indicating such a change of Name.</p>
Accounts of individuals	<p>The Aadhaar number; the Permanent Account Number (PAN) or Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time</p> <p>(b) such other documents pertaining to the nature of business or financial status specified by the RE in their KYC policy.</p>
Proof of Identity and Address	<p>In case the identity information relating to the Aadhaar number or Permanent Account Number submitted by the customer does not have current address, an OVD as defined in section 3(a)(xiv) shall be obtained from the customer for this purpose.</p> <p>Provided that in case the OVD furnished by the customer does not contain updated address, the following documents shall be deemed to be OVDs for the limited purpose of proof of address:-</p> <p>(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);</p> <p>(ii) property or Municipal tax receipt;</p>

	(iii) pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address
Accounts of Companies	(i) letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation Provided further that the customer shall submit Aadhaar or OVD updated with current address within a period of three months of submitting the above documents
	Certified copies of each of the following documents shall be obtained:
	(a) Certificate of incorporation;
	(b) Memorandum and Articles of Association;
	(c) Resolutions from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; and
	(d) Identification information as mentioned under CDD procedure of Individual in respect of managers, officers or employees holding an attorney to transact on its behalf.
Accounts of Partnership firms	(a) Registration certificate;
	(b) Partnership deed; and
	(c) Identification information as mentioned under Section 15 in respect of the person holding an attorney to transact on its behalf.
Accounts of Trusts and foundations	(a) Registration certificate;
	(b) Trust deed; and
	(c) Identification information as mentioned under Section 15 in respect of the person holding a power of attorney to transact on its behalf.

Accounts of unincorporated association or a body of individuals	(a) Resolution of the managing body of such association or body of individuals;
	(b) Power of attorney granted to him to transact on its behalf;
	(c) Identification information as mentioned under Section 15 in respect of the person holding an attorney to transact on its behalf and
	(d) Such information as may be required by the Company (NBFC) to Collectively establish the legal existence of such an association or body of individuals.
Accounts of Proprietorship Concerns	<p>Apart from Customer identification procedure as applicable to the Individual (proprietor), any two of the following documents in the name of the proprietary concern would suffice.</p> <p>where the Company is satisfied that it is not possible to furnish two such documents, REs may, at their discretion, accept only one of those documents as proof of business/activity.</p>
	Registration certificate
	Certificate/licence issued by the Municipal authorities under Shop & Establishment Act,
	Sales and income tax returns
	CST/VAT/GST certificate (Provisional/Final)
	Certificate/registration document issued by Sales Tax/Service Tax/ Professional Tax authorities
	IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT/ Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
	Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities.
	Utility bills such as electricity, water, and landline telephone bills

Signature Verifications (Individuals & the authorised signature of Entities)	<p>Any of the document listed out in the Officially Valid Document containing the Signature or any document given below:</p>
	<p>Margin Money Cheque Clearance if paid favoring Authum (Copy of Cheque taken prior to clearing)</p>
	<p>Bankers Verification</p>
	<p>Photo Debit Card with scanned signatures</p>
	<p>Copy of entire Registered Sale deed showing Photo & signature</p>
	<p>Photo credit Card with scanned signatures-provided the card is valid & current and is atleast 3 months old</p>
	<p>ECS mandate with the signatures of authorized signatories and with the stamp of entity-Verified and acknowledged by the banker pre-disbursement.</p>
	<p>Clearance of Initial payment cheque equal to an amount of the EMI and confirmed by local ops</p>
	<p>Certain companies have GPAs for signing PDCs. The GPA can be an SV subject to the GPA carrying the signature of the auth signatories along with their names & certified only by the Branch Manager or Operations Head with their name & designation. Care must be taken to verify the GPA for any specific covenants such as (a) If GPA is applicable for a particular bank account, and then PDCs must be from the same bank account (b) Whether GPA is valid indefinitely or has an expiry date. In a case where there is an expiry date then the validity of GPA shall be > contract tenure other wise such GPA Becomes invalid</p>
	<p>Documents which would have been submitted to banker at time of opening of account by the entity stating the authorised signatories of the bank account. These documents again shall be certified by the Branch Manager or Operations Head with their name & designation</p>
<p>Bankers Verification of the Entity's Authorised Signatory from where The PDCs are issued.</p>	

Annexure-II

Customer Identification Requirements–Indicative Guidelines

Trust/Nominee or Fiduciary Accounts

There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. Banks shall determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, banks may insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. While opening an account for a trust, banks shall take reasonable precautions to verify the identity of the trustees and the settlors of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries shall be identified when they are defined. In the case of a 'foundation', steps shall be taken to verify the founder managers/ directors and the beneficiaries, if defined.

Accounts of companies and firms

Banks need to be vigilant against business entities being used by individuals as a „front“ for maintaining accounts with banks. Banks shall examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perception e.g. in the case of a public Company it shall not be necessary to identify all the shareholders.

Client accounts opened by professional intermediaries

When the bank has knowledge or reason to believe that the client account opened by a professional intermediary is on behalf of a single client, that client must be identified. Banks may hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. Banks also maintain 'pooled' accounts managed by lawyers/chartered accountants or stockbrokers for funds held 'on deposit' or 'in escrow' for a range of clients. Where funds held by the intermediaries are not co-mingled at the bank and there are 'sub-accounts', each of them attributable to a beneficial owner, all the beneficial owners must be identified. Where such funds are co-mingled at the bank, the bank shall still look through to the beneficial owners. Where the banks rely on the 'customer due diligence' (CDD) done by an intermediary, they shall satisfy themselves that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements. It shall be understood that the ultimate responsibility for knowing the customer lies with the bank.

Accounts of Politically Exposed Persons (PEPs) resident outside India

Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. Banks shall gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. Banks shall verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The decision to open an account for PEP shall be taken at a senior level which shall be clearly spelt out in Customer Acceptance policy. Banks shall also subject such accounts to enhanced monitoring on an ongoing basis. The above norms may also be applied to the accounts of the family members or close relatives of PEPs.

Accounts of non-face-to-face customers

With the introduction of telephone and electronic banking, increasingly accounts are being opened by banks for customers without the need for the customer to visit the bank branch. In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, there must be specific and adequate procedures to mitigate the higher risk involved. Certification of all the documents presented may be insisted upon and, if necessary, additional documents may be called for. In such cases, banks may also require the first payment to be effected through the customer's account with another bank which, in turn, adheres to similar KYC standards. In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and the bank may have to rely on third party certification/introduction. In such cases, it must be ensured that the third party is a regulated and supervised entity and has adequate KYC systems in place.

Beneficial Ownership

As per Rule 9(IA) of the Prevention of Money Laundering Rules, 2005 the Company shall identify the beneficial owner and take all reasonable steps to verify his identity.

Beneficial Ownership has been defined in RBI Circular No. RBI/2012-13/422 DNBS (PD).CC. No 321 /03.10.42 /2012-13 dated February 27, 2013 as given below.

The term 'beneficial owner'; has been defined 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. Government of India has since examined the issue and has specified the procedure for determination of Beneficial Ownership. The procedure as advised by the Government of India is as under:

- A. Where the client is a person other than an individual or trust, the banking company and financial institution, as the case may be, shall identify the beneficial owners of the client

and take reasonable measures to verify the identity of such persons, through the following information:

- (i) The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

Explanation: Controlling ownership interest means ownership of/entitlement to more than 25 percent of shares or capital or profits of the juridical person, where the juridical person is a company; ownership of/entitlement to more than 15% of the capital or profits of the juridical person where the juridical person is a partnership; or, ownership of/entitlement to more than 15% of the property or capital or profits of the juridical person where the juridical person is an unincorporated association or body of individuals.

- (ii) In cases where there exists doubt under (i) as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements, etc.

- (iii) Where no natural person is identified under (i) or (ii) above, the identity of the relevant natural person who holds the position of senior managing official.

Where the client is a trust, the banking company and financial institution, as the case may be, shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, 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

- B. Where the client or the owner of the controlling interest is a company listed on a stock exchange or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

Annexure–III**An Indicative List of Suspicious Activities Transactions Involving Large Amounts of Cash**

Company transactions, that are denominated by unusually large amounts of cash, rather than normally associated with the normal commercial operations of the Company, e.g. cheques

Transactions that do not make Economic Sense

Transactions in which assets are withdrawn immediately after being deposited unless the business activities of the customer's furnishes a plausible reason for immediate withdrawal.

Activities not consistent with the Customer's Business

Accounts with large volume of credits whereas the nature of business does not justify such credits.

Attempts to avoid Reporting/Record-keeping Requirements

- (i) A customer who is reluctant to provide information needed for a mandatory report, to have the report filed or to proceed with a transaction after being informed that the report must be filed.
- (ii) Any individual or group that coerces/induces or attempts to coerce/induce a NBFC employee not to file any reports or any other forms.
- (iii) An account where there are several cash transactions below a specified threshold level to avoid filing of reports that may be necessary in case of transactions above the threshold level, as the customer intentionally splits the transaction into smaller amounts for the purpose of avoiding the threshold limit.

Unusual Activities

Funds coming from the countries/centers which are known for money laundering.

Customer who provides Insufficient or Suspicious Information

- (i) A customer/Company who is reluctant to provide complete information regarding the purpose of the business, prior business relationships, officers or directors, or its locations.
- (ii) A customer/ Company who is reluctant to reveal details about its activities or to provide financial statements.
- (iii) A customer who has no record of past or present employment but makes frequent large transactions.

Certain NBFC Employees arousing Suspicion

- I. An employee whose lavish lifestyle cannot be supported by his or her salary.
- II. Negligence of employees/willful blindness is reported repeatedly.

Annexure–IV Definitions

Terms bearing meaning assigned in terms of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005:

- i. Aadhaar number", as defined under sub-section (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, henceforth „The Aadhaar Act“, means an identification number issued to an individual by Unique Identification Authority of India (UIDAI) on receipt of the demographic information and biometric information as per the provisions of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016

Explanation 1: In terms of the Aadhaar Act, every resident shall be eligible to obtain an Aadhaar number.

Explanation2: Aadhaar will be the document for identity and address

- ii. “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.

- iii. “Authentication”, as defined under sub-section (c) of section 2 of the Aadhaar Act, means the process by which the Aadhaar number along with demographic information or biometric information of an individual is submitted to the Central Identities Data Repository (CIDR) for its verification and such Repository verifies the correctness, or the lack thereof, on the basis of information available with it.

- iv. Beneficial Owner(BO)

- a. 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.

Explanation-For the purpose of this sub-clause-

1. “Controlling ownership interest” means ownership of/entitlement to more than 25 per cent of the 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 customer 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/have ownership of/entitlement to more than 15 per cent of capital or profits of the partnership.

- c. Where the customer 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/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.

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.

- d. Where the customer is a trust, 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.
- v. “Biometric information”, as defined in the Section 2(g) of the Aadhaar Act, means photograph, fingerprint, Iris scan, or such other biological attributes of an individual as maybe specified by Aadhaar (authentication) regulations.
- vi. “Central Identities Data Repository” (CIDR), as defined in Section 2(h) of the Aadhaar Act, means a centralised database in one or more locations containing all Aadhaar numbers issued to Aadhaar number holders along with the corresponding demographic information and biometric information of such individuals and other information related thereto
- vii. “Central KYC Records Registry” (CKYCR) means an entity defined under Rule 2(1)(aa) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer
- viii. “Demographic information”, as defined in Section 2(k) of the Aadhaar Act, includes information relating to the name, date of birth, address and other relevant information of an individual, as may be specified by regulations for the purpose of issuing an Aadhaar number, but shall not include race, religion, caste, tribe, ethnicity, language, records of entitlement, income or medical history
- ix. “Designated Director” means a person designated by the RE to ensure overall compliance with the obligations imposed under chapter IV of the PML 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. a person or individual, as the case maybe, 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. - For the purpose of this clause, the terms "Managing Director" and "Whole-time Director" shall have the meaning assigned to them in the Companies Act, 2013.

- x. Enrolment number means “Enrolment ID” as defined in section 2(1) (j) of the Aadhaar (Enrolment and update) Regulation, 2016 which means a 28 digit Enrolment Identification Number allocated to residents at the time of enrolment of Aadhaar.
- xi. “E-KYC authentication facility” as defined in Aadhaar (Authentication) Regulations, 2016, means a type of authentication facility in which the biometric information and /or OTP and Aadhaar number securely submitted with the consent of the Aadhaar number holder through a requesting entity, is matched against the data available in the CIDR, and the Authority returns a digitally signed response containing e-KYC data along with other technical details related to the authentication transaction.
- xii. “ Identity information”, as defined in sub-section (n) of section 2 of the Aadhaar Act, in respect of an individual, includes individual’s Aadhaar number, biometric information and demographic information.
- xiii. “Non-profit organisations” (NPO) means any entity or organization that is registered as a trust or a society under the Societies Registration Act, 1860 or any similar State legislation or a company registered under Section 8 of the Companies Act, 2013.
- xiv. “Officially valid document” (OVD) means the passport, the driving license, 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.
Explanation 1: For the purpose of this clause, a document shall be deemed to be an OVD even if there is 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 .
- xv. “Person” has the same meaning assigned in the Act and includes:
 - a. An individual,
 - b. A Hindu undivided family,
 - c. A company,
 - d. A firm,
 - e. An association of persons or a body of individuals, whether incorporated or not,

- f. every artificial juridical person, not falling within 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 (at of).
- xvi. “Principal Officer” means an officer nominated by the RE, responsible for furnishing information as per rule 8 of the Rules.
- xvii. “Resident”, as defined under sub-section (v) of section 2 of the Aadhaar Act, means an individual who has resided in India for a period or periods amounting in all to one hundred and eighty –two days or more in the twelve months immediately preceding the date of application for enrollment for Aadhaar
- xviii. “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 proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
 - b. appears to be made in circumstances of unusual or unjustified complexity; or
 - c. appears to not have economic rationale or bona-fide purpose; or
 - d. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

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.

- xix. A ‘Small Account’ means a savings account in which:
- a. The aggregate of all credits in a financial year does not exceed rupees one lakh;
 - b. the aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand; and
 - c. the balance at any point of time does not exceed rupees fifty thousand.

Provided that this limit on balance shall not be considered while making deposits through Governments grants, welfare benefits and payment against procurements.

- xx. “Transaction” means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:
- a. Opening of an account;
 - b. deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non- physical means;
 - c. the use of a safety deposit box or any other form of safe deposit;

- d. entering into any fiduciary relationship;
 - e. any payment made or received, in whole or in part, for any contractual or other legal obligation; or
 - f. establishing or creating a legal person or legal arrangement.
- xxi. “Yes/No authentication facility”, as defined in Aadhaar (Authentication) Regulations, 2016, means a type of authentication facility in which the identity information and Aadhaar number securely submitted with the consent of the Aadhaar number holder through a requesting entity, is then matched against the data available in the CIDR, and the Authority responds with a digitally signed response containing “ Yes” or “No”, along with other technical details related to the authentication transaction, but no identity information.
- (b) Terms bearing meaning assigned in this Directions, unless the context otherwise requires, shall bear the meanings assigned to them below:
- i. “Common Reporting Standards” (CRS) means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters.
 - ii. “Customer” means a person who is engaged in a financial transaction or activity with a Regulated Entity (RE) and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
 - iii. “Walk-in Customer” means a person who does not have an account based relationship with the RE, but undertakes transactions with the RE.
 - iv. “Customer Due Diligence (CDD)” means identifying and verifying the customer and the beneficial owner.
 - v. “Customer identification” means undertaking the process of CDD.
 - vi. “FATCA” means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.
 - vii. “IGA” means Inter Governmental Agreement between the Governments of India and the USA to improve international tax compliance and to implement FATCA of the USA.
 - viii. “KYC Templates” means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.

- ix. “Non-face-to-face customers” means customers who open accounts without visiting the branch/offices of the REs or meeting the officials of REs.
- x. “On-going Due Diligence” means regular monitoring of transactions in accounts to ensure that they are consistent with the customers’ profile and source of funds.
- xi. “Periodic Updation” means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the Reserve Bank.
- xii. “Politically Exposed Persons” (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.
- xiii. “Regulated Entities”(REs)means
 - a. all Scheduled Commercial Banks (SCBs)/ Regional Rural Banks (RRBs)/ Local Area Banks (LABs)/ All Primary (Urban) Co-operative Banks (UCBs) /State and Central Co- operative Banks (SCBs / CCBs) and any other entity which has been licenced under Section 22 of Banking Regulation Act, 1949, which as a group shall be referred as banks.
 - b. All India Financial Institutions (AIFIs)
 - c. All Non-Banking Finance Companies (NBFC)s, Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non-Banking Companies (RNBCs).
 - d. All Payment System Providers (PSPs)/System Participants (SPs) and Prepaid Payment Instrument Issuers (PPI Issuers)
 - e. All authorised persons(APs)including those who are agents of Money Transfer Service Scheme (MTSS), regulated by the Regulator.
- xiv. “Shell bank” means a bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group.
- xv. “Wire transfer” means a transaction carried out, directly or through a chain of transfers, on behalf of an originator or person (both natural and legal) through a bank by electronic means with a view to making an amount of money available to a beneficiary person at a bank.
- xvi. “Domestic and cross-border wire transfer”: When the originator bank and the beneficiary bank is the same person or different person located in the same country, such a transaction is a domestic wire transfer, and if the „originator bank“ or „beneficiary bank“ is located in different countries such a transaction is cross-border wire transfer

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act or the Reserve Bank of India Act, or the Prevention of Money Laundering Act and Prevention of Money Laundering (Maintenance of Records) Rules, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

Sr.No.	A. List of KYC documents - For Individual applicants (As per RBI policy) wherein Permanent address is same as Current address (any one)	ID proof	Approved KYC as Address proof	Signature proof
1	Voter's Identify Card issued by Election Commission of India	Yes	Yes	
2	Valid Passport	Yes	Yes	
3	Valid Driving License. Learning License Not permitted.	Yes	Yes	
4	PAN Card (additional address proof to Be collected).	Yes	No	
5	Letter issued by the Unique Identification Authority of India containing details of name, address and Aadhar number or Aadhar card. Acknowledgement receipt is not Acceptable	Yes	Yes	
6	Job card (with photo) issued under Mahatma Gandhi National Rural Employment Guarantee Act (NREGA) duly signed by an authorized officer of The State Government.	Yes	Yes (if it is with address)	
<p>Note: As per RBI Circular RBI/2015-16/213 (DBR.AML.BC. No. 46/14.01.001 /2015-16) dated October 29, 2015, we may accept a copy (which is self-certified and OSV done) of marriage certificate issued by the State Government or Gazette notification indicating change in name together with a self-certified copy of the 'officially valid document' in the existing name of the person.</p>				
<p>Incase of Low Risk Customers</p>				
7	Identity card with applicant's photograph issued by Central / State Government Departments (like Photo Ration card), Statutory / Regulatory Authorities (like ICAI, ICSI, ICWAI member ID card), Public Sector Undertakings (IOC, BPCL, HPCL employee ID card), Scheduled Commercial Banks (Banks like SBI, PNB, ICICI, etc..) and Public Financial Institutions	Yes	Yes (if it is with address)	

8	Letter issued by a gazette officer, with a duly attested photograph of the person Only acceptable with photograph.	Yes	Yes (if it is with address)	
9	Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);	No	Yes	
10	Property Tax or Municipal Tax receipt for the owned accommodation;	No	Yes	
11	Bank account or Post Office savings Bank account statement; (can be Accepted as ID proof if photo attested)	Yes	Yes	
12	Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the Address	No	Yes	
13	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	No	Yes	
14	Documents issued by Government departments of foreign jurisdictions and letter issued by Foreign Embassy or Mission in India.(Work/Resident Permit, Social Security Card, Green Cardetc.)	No	Yes	

Sr.No.	B. List of KYC documents - For Individual applicants wherein Permanent address is different from Current address	ID proof	Address proof	Signature proof
<p>Note: In addition to above KYC documents for both ID & address, we need to collect any ONE of the following address documents as proof for current address.</p>				
1	Voter's Id	Yes	Yes	NO
2	Utility Bills - Telephone (land or Mobile) / Electricity (in applicant's name). Not greater than 3 full calendar months old. Example: If file log in has been done on 20th April 2010 then last three months would imply Jan 2010 onwards.–		Yes	NO
	PAN Card	Yes	NO	Yes
3	Passport	Yes	Yes	Yes
4	Valid Driving License. Learning License not permitted.	Yes	Yes	Yes
5	Life Insurance Policy. If the address has changed since then. The applicant needs to provide the latest Renewal premium paid receipt reflecting the New address, along with policy.	NO	Yes	NO
6	Municipal/Corporation tax/ Corporation Water tax / Water charges payment voucher or bill. Not more than 3 full calendar months old.	NO	Yes	NO
7	Printed Gas bill/ Gas receipt with the addressed early mentioned. Not more than 3 full calendar months old. Gas Book not accepted.	NO	Yes	NO
8	<p>Printed Bank statement having the customer's current residential address.</p> <p>E-statements are also acceptable (along with a ATM generated mini statement with overlapping transactions with the E-statements). Bank passbooks (with entries more than 6 month old).</p>	Yes (if photo affixed)	Yes	NO

	Above documents can be accepted as ID proof if it has photo affixed with Bank manager sign and seal			
9	Registered sale deed or sale agreement.	Yes (if photo affixed)	Yes	NO
10	Registered lease deed or leave and license agreement (rent agreement). Atleast 6 months old document either franked or on stamp paper. The stamp paper date / franking date should confirm the age of the document.	NO	Yes	NO
11	RC copy of 4 wheeler.	NO	Yes	NO
12	Ration card. (if the photo ration card has a family photo and the applicant's part of the family photo, then the document is a valid ID proof)	Yes (if photo affixed)	Yes	NO
13	Allotment letter issued from Government departments for government employees can be taken as address proof. Should have name and sign of issuing authority	Yes (if photo affixed)	Yes	NO
14	Employee ID card (For government employees & CAT-A Company only).	Yes	NO	NO
15	Letter issued by the Unique Identification Authority of India containing details of name, address and Aadhar number or Aadhar card. Acknowledgement receipt is not acceptable	Yes	Yes	NO
16	Government Medical insurance card	Yes	NO	NO
I.	In cases where any of the above listed valid address proof documents are NOT available (section B). Address proof in the name of PARENT/CHILDREN/SPOUSE together with a relationship proof document establishing the relationship may be accepted. Acceptable Relationship Proof for applicant staying in the residence of a relative(Parent/Child / Spouse); Marriage Certificate, Birth Certificate, Passport, PAN Card, Voter's Id, Ration Card.			
II.	In the above situation, it is mandatory to collect the KYC of the person whose address proof is being taken.			

III.	A declaration from the address proof holder that he is aware that his relatives (exact relation) have applied for a loan and he has no objection.
Note:	
1	The above list is applicable to all new borrower segments.
2	KYC documents are not required to be collected for existing borrower segment in case there is no change in address. In case of change of address or change in name/surname above KYC policy will apply.
3	In case the existing borrower segment, new KYC documents will have to be collected if the loan is tagged as PEP.
