

**GUIDELINES ON 'KNOW YOUR CUSTOMER'**

**&**

**'ANTI MONEY LAUNDERING' MEASURES**

**(04.05.2024)**



**INDIA FINSEC LIMITED**

**{REGISTERED WITH SECURITIES EXCHANGE BOARD OF  
INDIA (SEBI)}**



## **GUIDELINES ON ‘KNOW YOUR CUSTOMER’ & ‘ANTI MONEY LAUNDERING’ MEASURES**

### **1. Preamble**

As part of the best corporate practices, India Finsec Limited (“the Company” or “IFL”) has adopted **“Know Your Customer (KYC)” and “Anti Money Laundering (AML) Measure” (referred to as “Guidelines”)** for lending/ credit/ operations/ financial dealings in line with the extant guidelines framed by RBI.

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

These Guidelines are framed keeping in mind the above and has the following key elements:

- i. Customer Acceptance Policy
- ii. Customer Identification Procedures
- iii. Monitoring of Transactions
- iv. Risk management

### **2. For the Purpose of these Guidelines, a Customer is defined as:**

- i. a person or entity that maintains an account and/ or has a business relationship with the Company;
- ii. one on whose behalf the account is maintained (i.e. the beneficial owner);
- iii. beneficiaries of transactions conducted by professional intermediaries, such as stock brokers, chartered accountants, solicitors, mutual funds etc. as permitted under the law; and
- iv. any person or entity connected with a financial transaction which can pose significant reputational or other risks to the Company, say, a wire transfer or issuance of a high value demand draft as a single transaction.

### **3. Customer Acceptance Policy**

The Customer Acceptance Policy ensures the following aspects of a customer relationship:

- i. The Company shall not open an account in anonymous or fictitious/ benami name(s).
- ii. The Company shall define and categorize the customer into low, medium and high risk perception on the basis of the location of customer, business profile, his clients, mode of payments, volume of turnover, social and financial status, etc. Customers requiring very high



level of monitoring, e.g. Politically Exposed Persons (PEPs) will be given due consideration and may, if considered necessary be categorized even higher.

iii. The Company shall collect required documents and other information in respect of different categories of customers depending on perceived low/ medium/ high risk and guidelines issued from time to time. Declaration shall be obtained from the customer that proceedings/ transactions are not in violation of Prevention of Money Laundering (PML) Act 2002 and RBI regulation issued from time to time.

iv. The Company shall not open an account, or close an existing account where appropriate customer identification/ due-diligence measures cannot be applied, to ensure verification of the identity and also obtain documents required as per the risk categorization due to non-cooperation of the customer/ non-reliability of the data/ information furnished to the Company. However, the Company shall build-in safeguards to avoid any harassment to the customers.

v. Transaction or account-based relationship is undertaken by following the proper Customer Due Diligence (CDD) procedure.

vi. The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.

vii. Optional / additional information is obtained with the explicit consent of the customer after the account is opened.

viii. CDD procedure is to be followed for all the joint account holders, while opening a joint account.

ix. If an existing KYC compliant customer desires to open another account, there shall be no need for a fresh CDD exercise.

x. Circumstance in which, a customer is permitted to act on behalf of another person / entity is to be clearly mentioned.

- Permanent Address proof from new customer will be collected. The documents which can be accepted as proof of address as prescribed by RBI, are mentioned in Annexure-II.

- For customers who wish to pre-close their account with IFL, following will be collected:

(a) Permanent Address proof (As per Annexure-I).

(b) A declaration from the customer regarding source of funds being used for pre-closure of the loan account.

xi. In the following circumstances, the account may be opened/ operated by a mandate holder or by an intermediary, such as chartered accountants, solicitors, mutual funds, stock brokers etc., in a fiduciary capacity hence the customer is permitted to act on behalf of another person/entity, in conformity with the established law and practices: - if applicant is NRI/PIO - if applicant is a limited company - if applicant is a partnership firm

xii. The Company shall ensure, before processing any loan disbursement either by the Company and/or through any specialized agency that the identity of the customer does not match with



any person with known criminal background/ with forbidden entities such as individual terrorists or terrorist organizations, etc.

#### 4. Customer Profile Preparation

The Company shall prepare a customer profile for each new customer during the credit appraisal process based on risk categorization as mentioned in these guidelines. The customer profile will contain information relating to the customer's identity, social/ financial status, nature of business activity, information about his clients' business and their location, etc. The nature and extent of due diligence will depend on the risk perceived by the Company. During the credit appraisal process of the customer, details shall be recorded along with his/ her profile based on meeting with the customer (by the Company representative) apart from collection of applicable documents; this will be as per the Company's credit and product norms which are incorporated in the Credit risk policy and are in practice. However, while preparing customer profile, the Company will seek only such information from the customer which is relevant to the risk category and is not intrusive. Any other information from the customer should be sought separately with his/her consent and after opening the account.

The customer profile will be accorded the status of a highly confidential document and details contained therein shall not be disclosed for cross selling or for any other purposes; unless for the purpose of risk minimization or fraud prevention or required by law & regulations or for social/ economic responsibility.

As per KYC policy, for acceptance and identification, customers are categorized broadly into low risk, medium risk, and high risk categories.

(A) Low risk customers will be individuals (excluding high Net Worth) and entities whose identities and sources of wealth can be easily identified, have structured income and transactions in whose accounts by and large conform to the known profile. In these cases, only the basic requirements of verifying the identity and location of the customer have to be met. Illustrative examples of low risk customers is as under:

- i. Salaried employees with well defined salary structures
- ii. People belonging to government departments, regulators, statutory bodies
- iii. People working with government owned companies, regulators and statutory bodies, etc.
- iv. People belonging to lower economic strata of the society whose accounts show small balances and low turnover
- v. People working with Public Sector Units



(B) Customers that are likely to pose a higher than average risk to the Company 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. The

Company shall 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. Examples of high risk customers requiring higher due diligence may include:

- Non-resident customers,
- High net worth individuals, without an occupational track record of more than 3 years.
- Trusts, charities, NGOs and organizations receiving donations
- Companies having close family shareholding or beneficial ownership,
- Firms with 'sleeping partners',
- Politically exposed persons (PEPs) of foreign origin,
- Non-face to face customers,
- Those with dubious reputation as per available public information, etc.

Politically Exposed Persons (PEPs) will be given due consideration and may, if considered necessary be categorized even higher risk, and their account will be open only after formal approval of senior management (VP & above). In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, the Company shall obtain senior management approval in such cases to continue the business relationship, and also undertake enhanced monitoring as indicated and specified in Annexure-I.

## 5. Customer Identification Procedure

Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information.

As per Rule 9 of the Prevention of Money-Laundering (Maintenance of Records of the nature and Value of Transactions, The Procedure and Manner of Maintaining and Time for Furnishing information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (hereinafter referred to as PML Rules), requires every IFL:

a. at the time of commencement of an account-based relationship, verify the identity of the customer and obtain information on the purpose and intended nature of the business relationship, and



- b. in all other cases, verify identity at the time of processing: i. the transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or multiple transactions that appear to be connected, or  
ii. any international money transfer operations.

As per Rule 9 of the PML Rules, the Company shall identify the beneficial owner and take all reasonable steps to verify his/ her identity. The Company shall also exercise ongoing due diligence with respect to the business relationship with every customer and closely examine

the transactions in order to ensure that transactions are consistent with our knowledge of the customer profile, his business/ activity nature and risk categorization.

The Customer Identification procedure shall be carried out at different stages, i.e.

- a. while establishing a relationship;
- b. carrying out a financial transaction or
- c. When there is a doubt about the authenticity/ veracity or the adequacy of the previously obtained customer identification records/ information.

For the purpose of verifying the identity of customers at the time of commencement of an account based relationship, Company also rely on CDD done by third party of the Company and will ensure the following conditions:

- a) Records or the information of the CDD carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.
- b) Adequate steps are taken by the Company to satisfy that copies of identification data and other relevant documentation relating to the CDD requirements shall be made available from the third party upon request without delay.
- c) The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.
- d) The third party shall not be based in a country or jurisdiction assessed as high risk.
- e) The Company shall be responsible for CDD, including done by a third party and undertaking enhanced due diligence measures as applicable.

As per Rule 9 of the PML Rules, the Company shall obtain sufficient and reliable documents or information necessary to establish to its satisfaction, the identity of each new customer, (whether regular or occasional) and the clear purpose of the intended nature of relationship. According to the said Rules, the documents/ information to be obtained for identifying various types of customers i.e. individuals, companies, partnership firms, trusts, unincorporated association or a body of individuals and juridical persons. Customer



identification requirements keeping in view the provisions of the said rules are indicated in Annexure-I, also indicative list of the nature and type of documents/ information that may be relied upon for customer identification is given in the Annexure-II. The Company will ensure compliance to the above rule.

The Company shall frame internal guidelines based on their experience of dealing with such persons/entities, normal prudence and the legal requirements.

The Company shall implement the Client Identification Programme to determine the true and correct identity of its customer keeping the above in view.

## **6. Ongoing Due Diligence/ Monitoring of Transactions**

Ongoing monitoring is an essential element for effective KYC procedures. However, the extent of monitoring will depend on the risk categorization of the account.

The Company shall pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. The Company may prescribe various methods for calculating the threshold limits for a particular category of accounts and pay particular attention to the transactions which may exceed these limits.

Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer would particularly attract the attention of the Company. High-risk accounts have to 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 should put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures.

The Company will ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002. The Company will ensure that transactions of suspicious nature as defined in Annexure II and/or any other type of transaction notified under section 12 of the PML Act, 2002, is reported to the appropriate law enforcement authority, as and when detected by our officials through the Principal Officer.

### **Periodic Updation**

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 RBI.

The Company shall carry out periodic KYC updation as under:

- i) At least once in every two years for high risk customers



- ii) Once in every eight years for medium risk customers
- iii) Once in every ten years for low risk customers

a) The Company will follow the following procedure for periodic KYC updation:

- i) PAN verification from the verification facility available with the issuing authority.
- ii) Authentication, of Aadhaar Number already available with the Company with the explicit consent of the customer in applicable cases.
- iii) In case identification information available with Aadhaar does not contain current address an Officially Valid Document (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 except those who are categorized 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, The Company shall review the documents sought at the time of opening of account and obtain fresh certified copies.

b) The Company shall not insist on 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) The 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.

#### **Maintenance of records of transactions**

i) The Company will maintain proper records at branch and consolidated record for all the branches taken together at the registered office of the Company, of transactions (nature and value), in such form and for such period as specified under the Rule 3 of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

ii) The Company will maintain all necessary information in respect of transactions prescribed under Rule 3 of the Rules, so as to permit reconstruction of individual transaction, including the following:

- (a) nature of the transactions;





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

iii) The Company should take appropriate steps to evolve a system for proper maintenance and preservation of information in a manner (in hard and soft copies) that allows information to be retrieved easily and quickly whenever required or requested by the competent authorities.

## **7. Risk Management**

The Management under the supervision of the Board of Directors of the Company shall ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensuring effective implementation. It will cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility will be explicitly allocated within the Company for ensuring that the Company's policies and procedures are implemented effectively. The Company shall devise procedures for creating Risk Profiles of their existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.

The Company shall adopt Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT) standards while undertaking the assessment of the customer/accounts.

## **8. Internal Audit**

The Company's Internal Audit and Compliance functions shall evaluate and ensure adherence to the KYC policies and procedures. As a general rule, the Compliance function will provide an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements. The Management under the supervision of Board/ Audit Committee shall ensure that the audit function is staffed adequately with skilled/ trained individuals. Internal Auditors will specifically check and verify the application of KYC procedures at the branches/ offices and comment on the lapses observed in this regard. The compliance in this regard will be put up before the Audit Committee of the Board in quarterly meetings or with their normal reporting frequency.

## **9. Training & Development**

The Company shall have an ongoing employee training programs so that the staff members are adequately trained in KYC procedures & Anti-Money Laundering measures. Training requirements will have different focuses for frontline staff, compliance staff and staff dealing with new customers so that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

## **10. Customer Education**



The Company shall educate the customer on the objectives of the KYC programme so that customer understands and appreciates the motive and purpose of collecting such information. The Company shall made KYC guidelines available on website, displayed in branches/ office and prepare specific literature/ pamphlets, etc., which can be made available to customer upon request, to educate the customer about the objectives of the KYC programme.

#### **11. Introduction of New Technologies**

The Company shall pay special attention to any money laundering threats that may arise from new or developing technologies including online transactions that may favour anonymity, and take measures, if needed, to prevent their use in money laundering activities as and when online transactions are started/ accepted by the Company.

#### **12. KYC for the Existing Accounts**

The Company shall apply the KYC norms to the existing customers of loan accounts on the basis of materiality and risk envisaged by it for those existing loan accounts.

#### **13. Non-Cooperation by the customer in respect of KYC norms**

Where the Company is unable to apply appropriate KYC measures due to non-furnishing of information and/or non-cooperation by the customer, the Company shall follow-up with the existing identified customers for KYC compliance, Closure decision (if at all) will depend upon the internal assessment and its decision will be taken at a senior management (AVP & above), only after issuing due notice to the customer explaining the reasons.

**14. Applicability to branches/offices and subsidiaries outside India** The KYC guidelines shall also apply to the branches/ offices and majority owned subsidiaries located abroad, especially in countries which do not or insufficiently apply the FATF recommendations, to the extent local laws permit as and when the Company opens overseas branches/ offices. When local applicable laws and regulations prohibit implementation of these guidelines, the same shall be informed to RBI.

#### **15. Appointment of Designated Director**

The Company has designated its Managing Director as “**Designated Director**” for the purpose of compliance under the RBI Guidelines. Designated Director is located at the Company’s registered office and will be ensure overall compliance with obligations as prescribed under chapter IV of the Act.



## **16. Appointment of Principal Officer**

The Company has designated a senior employee as “Principal Officer” who is located at Head/ Corporate office and will be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He/ she will maintain close liaison with enforcement agencies, IFLs and any other institution(s) which are involved against money laundering and combating financing of terrorism. Details of Principal Officer and any change therein shall be informed to RBI and Financial Intelligence Unit India (FIU).

## **17. Records to contain the specified information**

The Company shall maintain records referred to above in Rule 3 of PMLA Rules to contain the following information:

- i. the nature of the transactions.
- ii. the amount of the transaction and the denominated currency.
- iii. the date on which the transaction was conducted; and
- iv. the parties to the transaction.

## **18. Maintenance and preservation of records**

Section 12 of PMLA requires every housing finance company to maintain records as under:

(a) records of all transactions referred to in clause (a) of Sub-section (1) of section 12 read with Rule 3 of the PML Rules is required to be maintained for a period of ten years from the date of transactions between the clients and the Company.

(b) records/ documents pertaining to the identification of customers e.g copies of documents, like Passport, Identity Card, Driving Licenses, PAN, Utility bills etc. will be maintained for a period of ten years from the date of cessation of transactions between the customer and the Company.

The Company shall ensure that proper maintenance and preservation of records/ information in a manner (in hard and soft copies) that allows data to be retrieved easily and quickly whenever required, or when requested by the competent authorities upon request through the Principal Officer.

## **19. Furnishing of information to the Director, Financial Intelligence Unit – India (FIU-IND)**

- (i) The Company will report information in the terms of the provision of the Rule 8 of the Rules and any amendments thereto from time to time. The Company will furnish to the Director FIU - IND,



within such time and in such form, the information in respect of transaction referred under sub-rule (1) of Rule 3 of the Rules.

(ii) A copy of information furnished will be retained by the Principal Officer for the purpose of official record.

(iii) 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 the Company which are yet to install / adopt suitable technological tools for extracting CTR / STR from their live transaction data.

(iv) The Company shall not put any restriction on operations in the accounts where an STR has been filed. The Company will maintain strict confidentiality of the fact of furnishing details of STR.

(v) The Company has placed proper system, throwing alerts when the transactions are inconsistent with risk categorization and updated profile of the customers may be put in to use as a part of effective identification and reporting of suspicious transactions. As per provision, the Company has placed proper reporting mechanism to monitoring the timely furnishing information to the Director, FIU-IND.

## **20. Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)**

(i) Under FATCA and CRS, the 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 Reporting Financial Institutions at the link <https://incometaxindiaefiling.gov.in/> post login --> My Account Register as Reporting Financial Institution.

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

Explanation – The Company shall refer to the spot reference rates published by Foreign Exchange Dealers' Association of India (FEDAI) on their website at <http://www.fedai.org.in/RevaluationRates.aspx> for carrying out the due diligence procedure for the purposes of identifying reportable accounts in terms of Rule 114H of Income Tax Rules.

c) Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same as provided in Rule 114H of Income Tax Rules, 1962.

d) Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules, 1962.



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

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

(ii) In addition to the above, other United Nations Security Council Resolutions (UNSCRs) circulated by the Reserve Bank in respect of any other jurisdictions / entities from time to time shall also be taken note of.

## **21. Compliance under Foreign Contribution (Regulation) Act, 1976**

The Company shall ensure that the provisions of Foreign Contribution and Regulation Act, 1976, wherever applicable, are duly adhered to.

FCRA regulate the acceptance and utilization of foreign contribution or foreign hospitality received by certain specified persons or associations such as candidates for election, journalist, Judges/Government servants, political party, etc. However, law permits certain persons or associations to accept the foreign contribution with the approval of the Central Government, as

per the provisions of FCRA. In those cases, copy of approval or letter of intimation shall be taken from the customer.

## **22. General**

Where the Company is unable to apply appropriate KYC measures due to non-furnishing of information and/or non-cooperation by the customer, the Company may consider closing the account or terminating the business relationship after assessing the account at senior management (AVP & above) and above upon issuing notice to the customer explaining the reasons for account closure.

### **Other Measures**

#### **Secrecy Obligations and Sharing of Information**

1. The Company shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the lender and customer.
2. While considering the requests for data / information from Government and other agencies, the Company shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in transactions.
3. An illustrative (but not exhaustive) list of suspicious transactions in housing / builder / project loans is furnished in **Annexure - III** for guidance of the Company.



### **Sharing KYC information with Central KYC Records Registry (CKYCR)**

The Company will 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 Securitization 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 Company will upload the KYC data with CERSAI in respect of new individual accounts opened on or after November 1, 2016. The Company has in place a plan for uploading the KYC information / data in respect of existing individual accounts.

### **Selling Third party products**

If the Company is acting as agents while selling third party products, it shall comply with the applicable laws / regulations, including system capabilities for capturing, generating and analyzing alerts for filing CTR/STR in respect of transactions relating to third party products with customers.

### **Adherence to Know Your Customer (KYC) Guidelines by the Company and persons authorized by the Company including brokers / agents, etc.**

- a) Persons authorized by the Company for collecting deposits and / or selling loan related products, their brokers / agents or the like, shall be fully compliant with the KYC guidelines applicable to the Company.
- b) All information shall be made available to the RBI to verify the compliance with the KYC guidelines and accept full consequences of any violation by the persons authorised by the Company including brokers/ agents etc. who are operating on their behalf.

### **Combating Financing of Terrorism**

- a) In terms of the Rules, suspicious transaction shall include inter-alia transactions which give rise to a reasonable ground of suspicion that these may involve financing of the activities relating to terrorism. The Company, therefore, shall develop suitable mechanism through appropriate policy framework for enhanced monitoring of accounts suspected of having terrorist links and swift identification of the transactions and making suitable reports to the Financial Intelligence Unit – India (FIU-IND) on priority.
- b) As and when list of individuals and entities, approved by Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs), is circulated by RBI, the Company shall ensure to update the consolidated list of individuals and entities as circulated by RBI . Further, the updated list of such individuals / entities shall be

accessed from the United Nations website at  
<http://www.un.org/sc/committees/1267/consolist.shtml>.



## **Annexure I CUSTOMER IDENTIFICATION REQUIREMENTS**

### **(INDICATIVE GUIDELINES)**

#### **Trust/ Nominee or Fiduciary Accounts**

1. There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. IFLIFL shall determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, IFLs 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, IFLs should 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 should be identified when they are defined. In the case of a 'foundation', steps should be taken to verify the founder managers/directors and the beneficiaries, if defined. If the IFL decides to accept such accounts in terms of the Customer Acceptance Policy, the IFL should take reasonable measures to identify the beneficial owner(s) and verify his/her/their identity in a manner so that it is satisfied that it knows who the beneficial owner(s) is/are.

#### **Accounts of companies and firms**

2. IFLs need to be vigilant against business entities being used by individuals as a „front“ for maintaining accounts with IFLs. IFL should verify the legal status of the legal person/ entity through proper and relevant documents. IFL should verify that any person purporting to act on behalf of the legal/ juridical person/entity is so authorized and identify and verify the identity of that person. IFLs should 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 will not be necessary to identify all the shareholders.

#### **Client accounts opened by professional intermediaries**

3. When the IFL 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. IFLs may hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. Where the IFLs rely on the 'customer due diligence' (CDD) done by an intermediary, they should satisfy themselves that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements. It should be understood that the ultimate responsibility for knowing the customer vests with the IFL.



### **Accounts of Politically Exposed Persons (PEPs)**

4. Politically exposed persons are individuals who are or have been entrusted with prominent public functions, 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. IFLs should 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. IFLs should 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 should be taken at a senior level which should be clearly spelt out in Customer Acceptance Policy. IFLs should 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**

5. The Company will not open any account of non-face-to-face customers.



## Annexure II

### CUSTOMER IDENTIFICATION PROCEDURE FEATURES TO BE VERIFIED AND DOCUMENTS THAT MAY BE OBTAINED FROM CUSTOMERS

| Features   | Documents (Certified Copy)   |
|--|--|
| <p><b>Individuals</b></p> <ul style="list-style-type: none"> <li>- Legal name and any other names used</li> <li>- Correct permanent address</li> </ul>   | <ul style="list-style-type: none"> <li>(i) Passport</li> <li>(ii) PAN card</li> <li>(iii) Voters Identity Card</li> <li>(iv) Driving license</li> <li>(v) Aadhar Card</li> <li>(vi) Identity card (subject to the Company's satisfaction)</li> <li>(vii) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of Company</li> </ul><br><ul style="list-style-type: none"> <li>(i) Telephone bill</li> <li>(ii) Bank Account statement</li> <li>(iii) Letter from any recognized public authority</li> <li>(iv) Electricity bill</li> <li>(v) Ration card</li> <li>(vi) Letter from employer (subject to satisfaction of the Company)</li> </ul> <p>(any one document which provides customer information to the satisfaction of the Company will suffice )</p> |
| <p><b>Companies</b></p> <ul style="list-style-type: none"> <li>- Name of the company</li> <li>- Principal place of business</li> <li>- Mailing address of the company</li> <li>- Telephone/Fax Number</li> </ul> | <ul style="list-style-type: none"> <li>(i) Certificate of incorporation and Memorandum &amp; Articles of Association</li> <li>(ii) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account</li> <li>(iii) Power of Attorney granted to its managers, officers or employees to transact business on its behalf</li> <li>(iv) an officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf</li> <li>(v) Copy of PAN allotment letter</li> <li>(vi) Copy of the telephone bill</li> </ul>   |



### **Annexure - III**

#### **(A) Illustrative List of Suspicious Transactions pertaining to Individual:**

1. Legal structure of client has been altered numerous times (name changes, transfer of ownership, change of corporate seat);
2. Unnecessarily complex client structure;
3. Individual or classes of transactions that take place outside the established business profile and expected activities/ transaction unclear;
4. Customer is reluctant to provide information, data, documents;
5. Submission of false documents, data, purpose of loan, details of accounts;
6. Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful, etc.;
7. Reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons;
8. Approaches a branch / office, which is away from the customers' residential or business address provided in the loan application, when there is branch / office nearer to the given address;
9. Unable to explain or satisfy the numerous transfers in the statement of account / multiple accounts;
10. Initial contribution made through unrelated third party accounts without proper justification;
11. Availing a top up loan and/ or equity loan, without proper justification of the end use of the loan amount;
12. Suggesting dubious means for the sanction of loans;
13. Where transactions do not make economic sense;
14. Unusual financial transactions with unknown source;
15. Payments received from un-associated or unknown third parties and payments for fees in cash where this would not be a typical method of payment;
16. There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
17. Encashment of loan amount by opening a fictitious bank account;
18. Applying for a loan knowing fully well that the property/dwelling unit to be financed has been funded earlier and that the same is outstanding;
19. Sale consideration stated in the agreement for sale is abnormally higher / lower than what is prevailing in the area of purchase;
20. Multiple funding of the same property/ dwelling unit;
21. Request for payment made in favour of a third party who has no relation to the transaction;
22. Usage of loan amount by the customer in connivance with the vendor / builder / developer / broker / agent etc., and using the same for a purpose other than what has been stipulated;
23. Multiple funding / financing involving NGO / Charitable Organisation / Small / Medium;
24. Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFGs)
25. Frequent request for change of address;



26. Overpayment of installments with a request to refund the overpaid amount;
27. Investment in real estate at a higher/ lower price than expected;
28. Clients incorporated in countries that permit bearer shares;

**(B) Illustrative list of suspicious transactions pertaining to Builder / Project / Corporate Clients:**

1. Builder approaching the Company for a small loan compared to the total cost of the project;
2. Builder is unable to explain the sources of funding for the project;
3. Approvals / sanctions from various authorities are proved to be fake or if it appears that client does not wish to obtain necessary governmental approvals / filings, etc.;
4. Management appears to be acting according to instructions of unknown or inappropriate person(s);
5. Employee numbers or structure out of keeping with size or nature of the business (for instance the turnover of a company is unreasonably high considering the number of employees and assets used);
6. Clients with multijurisdictional operations that do not have adequate centralised corporate oversight;
7. Advice on the setting up of legal arrangements, which may be used to obscure ownership or real economic purpose (including setting up of trusts, companies or change of name/ corporate seat or other complex group structures);
8. Entities with a high level of transactions in cash or readily transferable assets, among which illegitimate funds could be obscured;