



FI LENDING SOLUTIONS PVT. LTD.

KYC and AML Guidelines

Know-Your-Customer Policy – Index of Contents

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Chapter – I

1. INTRODUCTION

Reserve Bank of India (RBI) has issued guidelines on 'Know Your Customer' (KYC) Guidelines - Anti Money Laundering Standards for Non Banking Finance Companies (NBFCs) thereby setting standards for prevention of money laundering activities and corporate practices while dealing with their customers vide Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 dated 25 February, 2016 (updated upto 06 November, 2024).

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 AntiMoney 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 for cross selling or any other purposes.

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

2. Applicability of the Policy :

This policy is applicable to all categories of products and services offered by the Company.

3. Objective of the Policy :

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

For the purpose of fulfilling the objective of the Policy, the Company frames the KYC Policy incorporating the following four key elements.

- Customer Acceptance Policy
- Customer Identification Procedures
- Monitoring of Transactions
- Risk Management

4. Definition of Customer for the purpose of this Policy :

- A person or entity that maintains an account and/or has a business relationship with the Company.
- One on whose behalf the account is maintained (i.e. the beneficial owner)
- Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers
- Chartered Accountants, Solicitors etc. as permitted under the law, and
- Any other person or entity connected with a financial transaction which can pose significant reputation or other risks to the Company, say a wire transfer or issue of high value demand draft as a single transaction.

A "Person" shall have the meaning as defined under KYC policy of RBI (and any amendment from time to time by RBI) which is as follows:

'Person' shall include:

- 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 person (a to e)
- g. any agency, office or branch owned or controlled by any one of the above persons (a to f).

5. Compliance of KYC policy :

- (a) The Company shall ensure compliance with KYC Policy through :
 - (i) Specifying as to who constitute 'Senior Management' for the purpose of KYC compliance.
 - (ii) Allocation of responsibility for effective implementation of policies and procedures.
 - (iii) Independent evaluation of the compliance functions of The Company's policies and procedures, including legal and regulatory requirements.
 - (iv) Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures.
 - (v) Submission of quarterly audit notes and compliance to the Audit Committee.
- (b) The Company shall ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

Based on the objectives of the policy and its four key elements, the detailed guidelines for each of the key elements are to be adhered to.

Chapter – II

6. General

(a) The Know Your Customer (KYC) policy duly approved by the Board of Directors of the Company or any committee of the Board to which power has been delegated.

(b) In terms of PML Rules, groups are required to implement group-wide policies for the purpose of discharging obligations under the provisions of Chapter IV of the PML Act, 2002. (15 of 2003). Accordingly, every RE which is part of a group, shall implement group-wide programmes against money laundering and terror financing, including group-wide policies for sharing information required for the purposes of client due diligence and money laundering and terror finance risk management and such programmes shall include adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.

(c) The Company's policy framework should seek to ensure compliance with PML Act/Rules, including regulatory instructions in this regard and should provide a bulwark against threats arising from money laundering, terrorist financing, proliferation financing and other related risks. While ensuring compliance of the legal/regulatory requirements as above, REs may also consider adoption of best international practices taking into account the FATF standards and FATF guidance notes, for managing risks better.

7. Money Laundering and Terrorist Financing Risk Assessment by the Company :

(a) The Company shall carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc.

The assessment process should consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. While preparing the internal risk assessment, The Company shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with the Company from time to time.

(b) The risk assessment by the Company shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of the Company. Further, the periodicity of risk assessment exercise shall be determined by the Board or any committee of the Board of the Company to which power in this regard has been delegated, in alignment with the outcome of the risk assessment exercise. However, it should be reviewed at least annually.

(c) The outcome of the exercise shall be put up to the Board or any committee of the Board to which power in this regard has been delegated, and should be available to competent authorities and self-regulating bodies.

The Company shall apply a Risk Based Approach (RBA) for mitigation and management of the risks (identified on their own or through national risk assessment) and should have Board approved policies, controls and procedures in this regard. REs shall implement a CDD programme, having regard to the ML/TF risks identified and the size of business. Further, the Company shall monitor the implementation of the controls and enhance them if necessary.

8. Designated Director:

- a. A "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 be nominated by the Board.
- b. The name, designation and address of the Designated Director shall be communicated to the FIU-IND.
- c. ³⁵Further, the name, designation, address and contact details of the Designated Director shall also be communicated to the RBI.
- d. In no case, the Principal Officer shall be nominated as the 'Designated Director'.

9. Principal Officer :

- a. The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations.
- b. The name, designation and address of the Principal Officer shall be communicated to the FIU-IND.
- c. ³⁶Further, the name, designation, address and contact details of the Principal Officer shall also be communicated to the RBI.

Chapter – III

10. Customer Acceptance Policy

Without prejudice to the generality of the aspect that Customer Acceptance Policy may contain, the Company shall ensure that :

- a. No account will be opened in anonymous or fictitious/benami name.
- b. No account is opened where the Company is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer. The Company shall consider filing an STR, if necessary, when it is unable to comply with the relevant CDD measures in relation to the customer.
- c. No transaction or account-based relationship 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. Additional information, where such information requirement has not been specified in the internal KYC Policy of the Company, is obtained with the explicit consent of the customer.
- f. The Company shall apply the CDD procedure at the UCIC Unique Customer Identification Code (UCIC) level. Thus, if an existing KYC compliant customer of the Company desires to open another account or avail any other product or service from the same Company, there is no need for a fresh CDD exercise as far as identification of the customer is concerned.
- g. CDD Procedure is followed for all the joint account holders, while opening a joint account.
- h. Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- i. 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.
- j. Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- k. Where an equivalent e-document is obtained from the customer, the Company shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
- l. Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.
- m. Customer Acceptance Policy shall not result in denial of banking/financial facility to members of the general public, especially those, who are financially or socially disadvantaged.

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

Chapter - IV

11. Risk Management

For Risk Management, the Company shall have a risk-based approach which includes the following.

- a. Customers shall be categorised as low, medium and high-risk category, based on the assessment and risk perception of the Company.
- b. Broad principles may be laid down by the Company for risk-categorisation of customers.
- c. Risk categorisation shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the customer's business and their location, geographical risk covering customers as well as transactions, type of products/services offered, delivery channel used for delivery of products/services, types of transaction undertaken – cash, cheque/monetary instruments, wire transfers, forex transactions, etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.
- d. The risk categorisation of a customer and the specific reasons for such categorisation shall be kept confidential and shall not be revealed to the customer to avoid tipping off the customer.

Provided that various other information collected from different categories of customers relating to the perceived risk, is non-intrusive and the same is specified in the KYC policy.

Chapter - V

12. Customer Identification Procedure (CIP)

The Company shall undertake identification of customers in the following cases:

1. Commencement of an account-based relationship with the customer.
2. Carrying out any international money transfer operations for a person who is not an account holder of the Company.
- b. When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- c. 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.
- d. 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.
- e. When the Company 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.
- f. The Company shall ensure that introduction is not to be sought while opening accounts.

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

1. Records or the information of the customer due diligence carried out by the third party is obtained immediately from the third party or from the Central KYC Records Registry.
 2. Adequate steps are taken by the 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) The third party shall not be based in a country or jurisdiction assessed as high risk.
- (e) The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the Company.

An indicative list of documents for the purpose of Customer Identification Procedure (CIP) is given in **Annexure – I**.

13. Customer Due Diligence (CDD) Procedure

Customer Due Diligence (CDD) Procedure in case of Individuals

For undertaking CDD, the Company shall obtain the following 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:

- (a) the Aadhaar number where,
 - (i) he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); or
 - (ii) he decides to submit his Aadhaar number voluntarily to the Company notified under first proviso to sub-section (1) of section 11A of the PML Act; or
- (aa) the proof of possession of Aadhaar number where offline verification can be carried out; or
- (ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; or
- (ac) the KYC Identifier with an explicit consent to download records from CKYCR; and
- (b) the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and
- (c) such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as may be required by the Company:

Provided that where the customer has submitted,

- i) Aadhaar number under clause (a) above to the Company notified under first proviso to sub-section (1) of section 11A of the PML Act, the Company shall carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect to the Company.
- ii) proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, the Company shall carry out offline verification.
- iii) an equivalent e-document of any OVD, the Company shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues thereunder.
- iv) any OVD or proof of possession of Aadhaar number under clause (ab) above where offline verification cannot be carried out, the Company shall carry out verification through digital KYC.
- v) KYC Identifier under clause (ac) above, the Company shall retrieve the KYC records online from the CKYCR in accordance with paragraph 56.

Provided that for a period not beyond such date as may be notified by the Government for a class of the Company, instead of carrying out digital KYC, the Company pertaining to such class may obtain a certified copy of the proof of possession of Aadhaar number or the OVD and a recent photograph where an equivalent e- document is not submitted.

Provided further that in case e-KYC authentication cannot be performed for an individual desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, the Company shall, apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD or the equivalent e-document thereof from the customer. CDD done in this manner shall invariably be carried out by an official of the Company and such exception handling shall also be a part of the concurrent audit as mandated in paragraph 8. The Company shall ensure to duly record the cases of exception handling in a centralised exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorising the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by the Company and shall be available for supervisory review.

Accounts opened using Aadhaar OTP based e-KYC, in non-face-to-face mode, are subject to the following conditions:

- i. There must be a specific consent from the customer for authentication through OTP.
- ii. As a risk-mitigating measure for such accounts, the Company shall ensure that transaction alerts, OTP, etc., are sent only to the mobile number of the customer registered with Aadhaar. The Company shall have a board approved policy delineating a robust process of due diligence for dealing with requests for change of mobile number in such accounts.
- iii. 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.
- iv. Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year unless identification V-CIP is carried out. If Aadhaar details are used, the process shall be followed in its entirety including fresh Aadhaar OTP authentication.
- v. 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.
- 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 in non- face-to-face mode with any other Company. Further, while uploading KYC information to CKYCR, the Company shall clearly indicate that such accounts are opened using OTP based e-KYC and other the 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.
- vii. The 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.

14. 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 documents, NBFCs may at their discretion open accounts subject to the following conditions :

1. The NBFC shall obtain a self-attested photograph from the customer.
2. The designated officer of the NBFC certifies under his signature that the person opening the

account has affixed his signature or thumb impression in his presence.

- (c) The account shall remain operational initially for a period of twelve months, within which CDD as per paragraph 16 or paragraph 18 shall be carried out.
- (d) Balances in all their accounts taken together shall not exceed rupees fifty thousand at any point of time. The total credit in all the accounts taken together shall not exceed rupees one lakh in a year.
- (e) The customer shall be made aware that no further transactions will be permitted until the full KYC procedure is completed in case Directions (d) and (e) above are breached by him.
- (f) The customer shall be notified when the balance reaches rupees forty thousand or the total credit in a year reaches rupees eighty thousand that appropriate documents for conducting the KYC must be submitted otherwise the operations in the account shall be stopped when the total balance in all the accounts taken together exceeds the limits prescribed in direction (d) and (e) above.
- (g) The account shall be monitored and when there is suspicion of ML/TF activities or other high-risk scenarios, the identity of the customer shall be established.
- (h) 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.

15. CDD Measures for Sole Proprietary firms

For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out.

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

- (a) Registration certificate including Udyam Registration Certificate (URC) issued by the Government.
- (b) Certificate/licence issued by the municipal authorities under Shop and Establishment Act
Certificate/licence issued by the municipal authorities under Shop and Establishment Act.
- (c) Sales and income tax returns
- (d) CST/VAT/ GST certificate.
- (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 or 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, landline telephone bills, etc.

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

Provided the Company undertakes 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.

16. CDD Measures for Legal Entities

For opening an account of a company, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

Certificate of incorporation.

- a. Memorandum and Articles of Association.
- b. Permanent Account Number of the company.
- c. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf. ⁸⁵Documents, as specified in paragraph 16, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf
- d. the names of the relevant persons holding senior management position; and
- e. the registered office and the principal place of its business, if it is different.

For opening an account of a partnership firm, the certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- a. Registration certificate
- b. Partnership deed
- c. ⁸⁹Permanent Account Number of the partnership firm
- d. ⁹⁰Documents, as specified in paragraph 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf
- e. the names of all the partners and
- f. address of the registered office, and the principal place of its business, if it is different.

For opening an account of a trust, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- (a) Registration certificate
- (b) Trust deed
- (c) Permanent Account Number or Form No.60 of the trust.
- (d) Documents, as specified in paragraph 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
- (e) the names of the beneficiaries, trustees, settlor, protector, if any and authors of the trust.
- (f) the address of the registered office of the trust; and
- (g) list of trustees and documents, as specified in paragraph 16, for those discharging the role as trustee and authorised to transact on behalf of the trust.

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

- (a) Resolution of the managing body of such association or body of individuals

- (b) Permanent Account Number or Form No. 60 of the unincorporated association or a body of individuals
- (c) Power of attorney granted to transact on its behalf
- (d) Documents, as specified in paragraph 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf and
- (e) Such information as may be required by the 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'.

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

- (a) Document showing name of the person authorised to act on behalf of the entity
- (b) Documents, as specified in paragraph 16, of the person holding an attorney to transact on its behalf and
- (c) Such documents as may be required by the Company to establish the legal existence of such an entity/juridical person.

Provided that in case of a trust, the Company shall ensure that trustees disclose their status at the time of commencement of an account-based relationship or when carrying out transactions as specified in Customer Identification Procedure.

17. 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 sub- rule (3) of Rule 9 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 (i) an entity listed on a stock exchange in India, or (ii) it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions, or (iii) it is a subsidiary of such listed entities; it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such entities.
- (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.

18. On-going Due Diligence

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

Without prejudice to the generality of factors 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.

For ongoing due diligence, the Company may consider adopting appropriate innovations including artificial intelligence and machine learning (AI & ML) technologies to support effective 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.

Explanation: High risk accounts have to be subjected to more intensified monitoring.

19. Updation / Periodic Updation of KYC

The Company shall adopt a risk-based approach for periodic updation of KYC ensuring that the information or data collected under CDD is kept up-to-date and relevant, particularly where there is high risk. However, periodic updation 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 from the date of opening of the account / last KYC updation. Policy in this regard shall be documented as part of the Company's internal KYC policy duly approved by the Board of Directors of the Company or any committee of the Board to which power has been delegated.

a) Individuals:

- i. **No change in KYC information:** In case of no change in the KYC information, a self-declaration from the customer in this regard shall be obtained through customer's email-id registered with the Company, customer's mobile number registered with the Company, ATMs, digital channels (such as online banking / internet banking, mobile application of RE), letter, etc.
- ii. **Change in address:** In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer's email-id registered with the Company, customer's mobile number registered with the Company, ATMs, digital channels (such as online banking / internet banking, mobile application of the Company), letter, etc., and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables, etc.

Further, the Company, at their option, may obtain a copy of OVD or deemed OVD, as defined in paragraph 3(a)(xiv), or the equivalent e-documents thereof, as defined in paragraph 3(a)(x), for the purpose of proof of address, declared by the customer at the time of updation/periodic updation. Such requirement, however, shall be clearly specified by the Company in their internal KYC policy duly approved by the Board of Directors of the Company or any committee of the Board to which power has been delegated.

b) Customers other than individuals:

- i. **No change in KYC information:** In case of no change in the KYC information of the LE customer, a self-declaration in this regard shall be obtained from the LE customer through its email id registered with the Company, ATMs, digital channels (such as online banking / internet banking, mobile application of the Company), letter from an official authorized by the LE in this regard, board resolution, etc. Further, REs shall ensure during this process that Beneficial Ownership (BO) information available with them is accurate and shall update the same, if required, to keep it as up-to-date as possible.
- ii. **Change in KYC information:** In case of change in KYC information, the Company shall undertake the KYC process equivalent to that applicable for on-boarding a new LE customer.

c) Additional measures:

The Company shall advise the customers that in order to comply with the PML Rules, in case of any update in the documents submitted by the customer at the time of establishment of business relationship/ account-based relationship and thereafter, as necessary; customers shall submit to the Company the update of such documents. This shall be done within 30 days of the update to the documents for the purpose of updating the records at the Company's end.

In case of existing customers, the Company shall obtain the Permanent Account Number or equivalent e-document thereof or Form No. 60, by such date as may be notified by the Central Government, failing which the Company shall temporarily cease operations in the account till the time the Permanent Account Number or equivalent e-documents thereof or Form No. 60 is submitted by the customer.

Provided that before temporarily ceasing operations for an account, the Company shall give the customer an accessible notice and a reasonable opportunity to be heard. Further, the Company shall include, in its internal policy, appropriate relaxation(s) for continued operation of accounts for customers who are unable to provide Permanent Account Number or equivalent e-document thereof or Form No. 60 owing to injury, illness or infirmity on account of old age or otherwise, and such like causes. Such accounts shall, however, be subject to enhanced monitoring.

Provided further that if a customer having an existing account-based relationship with the Company gives in writing to the Company that he does not want to submit his Permanent Account Number or equivalent e-document thereof or Form No.60, RE shall close the

account and all obligations due in relation to the account shall be appropriately settled after establishing the identity of the customer by obtaining the identification documents as applicable to the customer.

Explanation – For the purpose of this paragraph, “temporary ceasing of operations” in relation an account shall mean the temporary suspension of all transactions or activities in relation to that account by the Company till such time the customer complies with the provisions of this paragraph. In case of asset accounts such as loan accounts, for the purpose of ceasing the operation in the account, only credits shall be allowed.

20. Enhanced and Simplified Due Diligence Procedure

A. Enhanced Due Diligence

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

Non-face-to-face onboarding facilitates the Company to establish relationship with the customer without meeting the customer physically or through V-CIP. Such non-face-to-face modes for the purpose of this paragraph includes use of digital channels such as CKYCR, DigiLocker, equivalent e-document, etc., and non- digital modes such as obtaining copy of OVD certified by additional certifying authorities as allowed for NRIs and PIOs. Following EDD measures shall be undertaken by the Company for non-face-to-face customer onboarding (other than customer onboarding in terms of paragraph 17):

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

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

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

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

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

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

B. Accounts of Politically Exposed Persons (PEPs)

- A. The Company shall have the option of establishing a relationship with PEPs (whether as customer or beneficial owner) provided that, apart from performing normal customer due diligence:
- (a) The Company have in place appropriate risk management systems to determine whether the customer or the beneficial owner is a PEP;
 - (b) Reasonable measures are taken by the Company for establishing the source of funds / wealth;
 - (c) the approval to open an account for a PEP shall be obtained from the senior management;
 - (d) all such accounts are subjected to enhanced monitoring on an on-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;
- B. These instructions shall also be applicable to family members or close associates of PEPs.

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

C. Client accounts opened by professional intermediaries:

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

- Clients shall be identified when client account is opened by a professional intermediary on behalf of a single client.
- The Company shall have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.
- The Company shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the Company.
- All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of the Company, and there are 'sub-accounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of the Company, the Company shall look for the beneficial owners.
- The 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.
- The ultimate responsibility for knowing the customer lies with the Company.

Chapter - VI

21. Monitoring of Transactions :

It is equally essential for the Company to have a clear knowledge and understanding about the normal working pattern and activity of the customer so that the Company can identify all such unusual transactions which would fall outside the normal transactions of the customer.

To achieve this purpose, ongoing monitoring is necessary. The extent of such monitoring will depend upon the level of risk involved in a particular account. Any transaction or activity of the customer which gives rise to suspicion will be given special attention. Such monitoring is important to keep a check on any act or omission of the customer which may amount to money laundering or support any act relating to use of finance for criminal activities.

22. Reporting Requirements to Financial Intelligence Unit - India

The 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 the Company which is 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 mis-represented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation. the Company shall not put any restriction on operations in the accounts merely on the basis of the STR filed.

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

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.

Chapter – VII

23. Record Management

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

- maintain all necessary records of transactions between the Company and the customer, both domestic and international, for at least five years from the date of transaction;
- 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;
- make available swiftly, the identification records and transaction data to the competent authorities upon request;
- 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);
- 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 parties to the transaction.
- 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;
- 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.

Chapter - VIII

24. Other Guidelines :

A. Secrecy Obligations and Sharing of Information:

- a. The Company shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the RE and customer.
- b. Information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.
- c. 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 the transactions.
- d. 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. Where the interest of the Company requires disclosure, and
 - iv. Where the disclosure is made with the express or implied consent of the customer.

25. Allotment of 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 individual customers by the Company.
- (b) The Company shall, at their option, not issue UCIC to all walk-in/occasional customers 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.

26. Introduction of New Technologies

The Company shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre- existing products.

Further, the Company shall ensure:

- a. to undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and
- b. adoption of a risk-based approach to manage and mitigate the risks through appropriate EDD measures and transaction monitoring, etc.

27. Hiring of Employees and Employee training

- a. Adequate screening mechanism, including Know Your Employee / Staff policy, as an integral part of their personnel recruitment/hiring process shall be put in place.
- b. The Company shall endeavour to ensure that the staff dealing with / being deployed for KYC/AML/CFT matters have: high integrity and ethical standards, good understanding of extant KYC/AML/CFT standards, effective communication skills and ability to keep up with the changing KYC/AML/CFT landscape, nationally and internationally. The Company shall also strive to develop an environment which fosters open communication and high integrity amongst the staff.

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

Annexure – I

List of indicative documents that shall be obtained and verified for KYC purposes :

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

KYC CHECKLIST	
Features to be verified and documents that shall be obtained from customers	
Features	Documents
Identity Proof (Individual)	Passport
	Photo PAN card
	Voter's Identity Card / UID Aadhar Card
	Laminated Driving license - Permanent. For a Driving license coming in a booklet form (Not laminated) to be acceptable as KYC document, an OSV done by RCL employee on the photocopy of the Driving license would be mandatory.
	Employee ID card (MNCs / PSUs / Public Limited Companies/Other Government companies and not Pvt. Ltd. Co)
	Photo Ration Card
	Photo Debit Card
	Bankers' verification/passbook with stamp on photograph along with applicant's signature. This can be accepted provided it contains customer's photo and signature, a/c number, date of opening, branch name, address and it shall be certified only by the Branch Manager or Operations Head with their name & designation.
	Defence ID Card
	Photo credit Card - provided the card is valid & current and is at least 3 months old
Address Proof (Individual)	Telephone Bill
	Life Insurance Premium receipt of any insurer (Policy shall be minimum 12 months in force)
	Post paid Piped gas connection bill showing consumption and full address
	Electricity Bill
	Ration Card
	Voter's Identity Card
	Laminated Driving license - Permanent. For a Driving license coming in a booklet form (Not laminated) to be acceptable as KYC document, an OSV done by RCL employee on the photocopy of the Driving license would be mandatory.

	Passport
	Copy of sale agreement if current residence is owned
	Cooperative Housing society Receipt to be taken provided residence FI is positive at the same address
	Leave & License agreement if the applicant is staying on rent & the agreement is registered / notarized. Wherever notarized Leave & License agreement is taken, the notarization shall be in original & the agreement shall be executed on a stamp paper as per the respective State Stamp Act(mail already circulated to all in the past on the same) Applicable to lease deed also.
	Post Paid Mobile Bills
	Bank Passbook/ Latest Bank Account Statement (first page of the same with full address mentioned which matches with the applicant's address as per the Application form). In case of a Bank Passbook, the page showing the latest banking transaction shall be taken on record.
	Front Copy of the Credit Card and latest Card statement
	Municipality Water Bill
	Municipal tax receipt/ Property tax receipt
	Office Identity card mentioning the address(MNCs/PSUs/Public Limited Companies/Other Government companies) OR letter from employer if the applicant stays in the Company provided accommodation)
	All utility bills and credit card statements shall be less then 3 months old
Signature verification (Individual)	Margin Money Cheque Clearance if paid favoring RCL (Copy of cheque taken prior to clearing)
	Passport
	Laminated Driving license - Permanent. For a Driving license coming in a booklet form (Not laminated) to be acceptable as KYC document, an OSV done by RCL employee on the photocopy of the Driving license would be mandatory.
	PAN Card
	Bankers Verification
	Photo Debit Card with scanned signatures
	Copy of entire Registered Sale deed showing Photo & signature
	Photo credit Card with scanned signatures - provided the card is valid & current and is at least 3 months old
Government ID card for govt. employees	

KYC Docs for Entities (Self Proprietorship / Partnership / Companies)	
a) Proof of Legal Existence and Registered Office Address	For Partnership firms, Partnership Deed or Certificate of Registration from Registrar of firms in case the firm is registered
	For Companies, MOA & AOA along with Certificate of Incorporation. In case of Public Limited Company, Certificate of Commencement of Business also to be taken.
	PAN Card of partnership firm or companies can be taken as proof of existence.(In this case separate proof of registered address needs to be taken)
	Sales tax registration Certificate
	Shop & Establishment Certificate
	Factory Registration Certificate
	SSI Registration Certificate
	Importer - Exporter Code Certificate
b) Proof of Operating Address	VAT / Service Tax Registration Certificate.
	Latest Bank Account Statement in the name of the Entity with full address mentioned which matches with the entity's address as per the Application form along with Banker's Verification of the Authorized Signatory of the entity
	Telephone Bill / Electricity Bill in the name of the entity
	Leave & License agreement in the name of the entity if the entity is operating its business from a rented premises & the agreement is registered / notarized. Wherever notarized Leave & License agreement is taken, the notarization shall be in original & the agreement shall be executed on a stamp paper as per the respective State Stamp Act (mail already circulated to all in the past on the same)
	IT Assessment Order
	Pan Intimation letter
	Acknowledged ITR of the entity
	Latest Bank Account Statement in the name of the Entity with full address mentioned which matches with the entity's address as per the Application form along with Banker's Verification of the Authorized Signatory of the entity
c) Trust/Society	In case of Self Proprietorship concerns, proof of the operating address could be taken in the individual's name as long as the Office FI is positive at the address from where the individual is operating his business. This shall match with the office address given by the individual as per the Application form. Office FI in this case shall not be negative on account of applicant not running business from the same premises.
	Certificate of registration, if registered
	Trust Deed/ Constitutional Documents of the trust / Society

d) Signature verification of the Authorized Signatory of the Entity	ECS mandate with the signature of authorized signatories and with the stamp of entity - Verified and acknowledged by the banker pre-disbursement.
	Clearance of Initial payment cheque equal to an amount of the EMI and confirmed by local ops
	Certain companies have GPAs for signing PDCs. The GPA can be an SV subject to the GPA carrying the signature of the authorized 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 otherwise such GPA becomes invalid
	Documents which would have been submitted to banker at time of opening of account by the entity stating the authorized signatories of the bank account. These documents again shall be certified by the Branch Manager or Operations Head with their name & designation
	Bankers Verification of the Entity's Authorized Signatory from where the PDCs are issued.
Proprietary Concerns	i) Proof of the name, address and activity of the concern, like registration certificate (in the case of a registered concern), certificate/licence issued by the Municipal authorities under Shop & Establishment Act, sales and income tax returns, CST / VAT certificate, certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities, Licence issued by the Registering authority like Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, etc.
	ii) Any registration / licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority / Department. NBFCs/RNBCs may also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document for opening of account.
	iii) The complete Income Tax return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/ acknowledged by the Income Tax Authorities.
	iv) Utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern.
	Two of the above documents would suffice. These documents should be in the name of the proprietary concern.