



## Bussan Auto Finance India Pvt. Ltd.

(Registered & Head Office)

4th Floor, Videocon Tower, E-1, Jhandewalan Extn. New Delhi - 110 055. India • Tel No. : 011-43611111, Fax No. : 011-43611139

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### **Know Your Customer (KYC) and Anti-Money Laundering (AML) Policy**

**Approval Authority:** Board of Directors

**Date of Approval:** December 12, 2017

**Date of 1<sup>st</sup> Revision:** September 26, 2019

**Date of 2<sup>nd</sup> Revision:** June 29, 2020

Reserve Bank of India (RBI) has issued Master Directions on 'Know Your Customer' (KYC) Guidelines Anti Money Laundering (AML) Standards for all the Non-Banking Finance Companies (NBFCs), thereby setting standards for prevention of money laundering activities and corporate practices while dealing with their customers vide Circular No.: **Master Direction DBR.AML.BC.No.81/14.01.001/2015-16** updated as on **April 20, 2020**.

**Bussan Auto Finance India Private Limited** (hereinafter referred to as "**Company / BAF India**") shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications, if any, necessary to this policy to conform to the standards so prescribed.

#### **1. Objective**

The objective of KYC & AML 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 their risks prudently.

#### **2. Applicability**

This policy is applicable across all branches/ business segments of the Company and its subsidiaries, located in India or abroad, and are to be read in conjunction with related operational guidelines issued from time to time.

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 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. 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.

#### **3. Nominations and Appointments**

The Company's Board of Directors/ any committee of the Board are responsible for approving and implementing the KYC & AML norms hereinafter detailed, and also to ensure that its operations reflect initiatives to prevent money laundering activities.

**3.1 Designated Director:** The Board of the Company shall nominate a Designated Director, whose name, designation and address shall be communicated to the Financial Intelligence Unit (FIU-IND). In no case, the Principal Officer of the Company shall be nominated as the 'Designated Director'.

Appointment of Designated Director shall be made by the Board of Directors.

**3.2 Principal Officer:** The Company shall appoint a Principal Officer who shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations. The name, designation and address of the Principal Officer shall be communicated to the Financial Intelligence Unit (FIU-IND).

Principal Officer shall be appointed either by the Board of Directors or by the Designated Director of the Company.

## 4. Scope

The contents of the KYC & AML policy shall always be read in tandem/ auto-corrected with the changes/ modifications which shall be advised by RBI from time to time. In case of any inconsistency between the prescribed guidelines and this Policy, the provisions of the relevant guidelines as prescribed by RBI shall prevail and be complied with. The Company may also formulate Standard Operating Procedures (SOP's) in addition to operational guidelines issued by RBI from time to time. The SOPs so formulated shall automatically stand amended in line with amendments or modifications prescribed by the RBI or any other Government body, as may be applicable to the Company, and such amended SOPs shall be circulated by the Company.

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

- (i) Customer Acceptance Policy (CAP);
- (ii) Customer Identification Procedures (CIP);
- (iii) Customer Due Diligence (CDD); and
- (iv) Risk Management and Risk Profiling;
- (v) Monitoring of Transactions and its reporting to FIU-IND
- (vi) Money Laundering ('ML') and Terrorist Financing ('TF') Risk Assessment

### 4.1 Customer Acceptance Policy (CAP)

The Company shall ensure that:

- No loan account is opened in anonymous or fictitious/ benami name(s).
- No loan 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.
- No transaction or loan account-based relationship is undertaken without following the CDD procedure.
- The mandatory information to be sought for KYC purpose while opening a loan account and during the periodic updation, is specified.
- 'Optional'/additional information is obtained with the explicit consent of the customer after the loan account is opened.
- CDD Procedure is followed for all the co-applicants, while opening a joint loan account.
- Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Ministry of Home Affairs and /or Reserve Bank of India.
- Where Permanent Account Number (PAN) is obtained, the same shall be verified facility of the issuing authority.
- Where an equivalent e-document is obtained from the customer, RE shall verify the digital signature as per the provisions of the Information Technology Act, 2000.

### 4.2 Customer Identification Procedures (CIP)

The Company shall ensure that decision making functions of determining compliances with KYC & AML norms shall not be outsourced and there is no introduction being sought for the purposes of providing loans.

The SOP's for CIP are outlined in **Annexure I** to this policy.

### 4.3 Customer Due Diligence (CDD)

The Company shall ensure appropriate CDD measure are applied at the time of opening of loan account and also take measures to have on going CDD basis the risk profile of every client.

For the Customer Due Diligence (CDD) done by a third party, the Company shall ensure that:

- Necessary information of such customers' due diligence carried out by the third party is immediately obtained by the Company.
- The relevant documentations for due diligence requirements are made available from the third party upon request without delay.
- The third party complies with the requirements and obligations for CDD and record-keeping requirements under the PML Act.
- The third party is not based in a country or jurisdiction assessed as high risk.
- The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the Company.

- If the Company is not able to comply with the CDD requirements mentioned in the above sections, it shall not commence business relations or perform transactions.

The SOP's for CDD are outlined in **Annexure-II** to this policy.

#### **4.4 Risk Management and Risk Profiling**

The Company shall have a risk-based approach which includes the following:

Customers shall be categorised as low, medium and high-risk category, based on the assessment and risk perception of the Company. The information collected from various categories of customers, for the purposes of risk management, shall be duly specified in the KYC & AML policy and should be non-intrusive.

The Company will undertake risk categorisation based on parameters viz customer's identity, social/financial status, nature of business activity, and information about the clients' business and their location etc.

Cases where the Company is likely to incur higher risk will be categorized as medium or high-risk customers and will be placed in medium or high-risk category. In such cases the Company will apply higher due diligence measures keeping in view the risk level.

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.

**Periodic Updation:** The company shall carry out periodic updation of KYC records at least once in every two years for high risk customers, once in every four years for medium risk customers and once in every five years for low risk customers subject to the following conditions:

- Fresh proofs of identity and address shall not be sought at the time of periodic updation, from customers who are categorised as 'low-risk', when there is no change in status with respect to their identities and addresses and a self-certification to that effect is obtained.
- A certified copy of the proof of address forwarded by 'low risk' customers through mail/post, etc., in case of change of address shall be acceptable.
- Physical presence of low-risk customer at the time of periodic updation shall not be insisted upon.
- The time limits prescribed above would apply from the date of opening of the loan account/ last verification of KYC.
- e-KYC process using OTP based authentication, for the purpose of periodic updation is allowed, provided, while on boarding, the customer was subjected to KYC process as explained previously.

#### **4.5 Monitoring of Transactions and its Reporting to FIU-IND**

**4.5.1. Monitoring:** The Company shall treat the ongoing monitoring as an essential element of effective KYC & AML procedures and shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and the source of funds, as per below:

- A periodic review of risk categorisation of loan accounts shall be done at least once in every six months.
- A system for applying the enhanced due diligence measures shall also be put in place.
- High risk customers/ accounts shall be subject to intensified monitoring.
- Account with unusual transactions patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.

**4.5.2. Reporting:** The Company shall report information related to cash and suspicious transactions to the Director, Financial Intelligence Unit (FIU-IND).

- The Company shall follow the electronic reporting formats and comprehensive reporting format guide as prescribed by FIU-IND on its official website.
- The Company shall submit the Cash Transaction Report (CTR) of each month to FIU-IND by 15th of the succeeding month, excluding individual transactions below INR 50,000.
- The Company shall furnish the Suspicious Transaction Report (STR) within 7 days of arriving at a conclusion as to the suspicion on nature of transactions, recording the reasons to treat any transaction of a series of transactions as suspicious.
- The Principal Officer of the Company shall be responsible for timely submission of CTR and STR to FIU-IND.
- The Company shall maintain utmost confidentiality in filing of CTR and STR and its transmission.
- Company shall not put any restriction on operation of the accounts where an STR has been filed. Further, it shall be ensured that there is no tipping off to the customer at any level.

- The Company shall ensure that the reports for all the branches are filed in one mode only, i.e., electronic or manual.
- The Company shall ensure/ have incorporated the robust software, which throw alerts when the transaction is inconsistent with the risk categorization and updated profile of the customers and also using as a part of effective identification and reporting of suspicious transactions.

#### 4.6 Risk Assessment for Money Laundering & Terrorist Financing

**4.6.1 Background:** The Reserve Bank of India (“RBI”) vide its notification no.DOR.AML.BC.No.66/14.01.001/2019-20 dated April 20, 2020 on amendment to Master Direction on KYC has mandated all the regulated entities (“REs”) to carry out ‘Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment’ exercise 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.

In compliance of the above the Company shall carry out ‘Money Laundering (ML) and Terrorist Financing (TF) Financing Risk Assessment’ (“ML/TF Risk Assessment”) by adopting a Risk Based Approach (“RBA”) for mitigation and management of the identified risks and it shall commensurate to its size, geographical presence and complexity of the activities.

##### 4.6.2 Process

**a) Risk Identification:** The Risk Assessment shall begin with by collection of wide range of information on various risk factors like general criminal environment, terrorism threats, ML/TF vulnerabilities.

**b) Risk Analysis:** The information obtained in order to identify any ML/TF risks on the Company shall be analysed to assess the probability of the risks occurring. Based on the assessment, ML/TF risks should be classified as LOW, MEDIUM and HIGH impact risks.

**c) Risk Mitigation:** The Company has sufficient Risk Mitigants in line with the Customer Due Diligence Process and other appropriate measures & procedures detailed out in the KYC/AML policy to mitigate the ML/TF risks in the Company.

##### 4.6.3 Frequency:

ML/TF Risk Assessment shall be conducted at least on yearly basis and not more than 12 months shall lapse between two Risk Assessments. The Risk Assessment report shall be presented to the Board of Directors through recommendation by the IC&RM Committee.

#### 5. Records Management

The Company shall at all times comply with applicable provisions and rules as prescribed from time to time and shall maintain the following information in respect of transaction(s), as prescribed under PML Act & Rules:

- The nature of the transaction(s);
- The amount and the currency of the transaction(s);
- The date of the transaction(s); and
- The parties to the transaction(s)

The Company shall maintain all necessary records of transactions between itself and the customer for a period of at least **FIVE** years from the date of the transaction.

The Company shall preserve the identification and address records of the customers, for a period of at least **FIVE** years after the business relationship is ended

The Company have / shall introduce a robust system of maintaining the proper records of transactions prescribed under Rule-3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

The Company shall maintain such records of the identity and address of its customer and records in respect of transactions in hard or soft format and in a manner that allows data to be retrieved easily and quickly.

Further, such identification records and transaction data shall be made available to the competent authorities, upon request.

## 6. Sanctions List and Watch List Management

The Company shall ensure that it does not have any loan account in the name of individuals/ entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC).

The Company shall screen its customers (existing and new, both), against the following two lists:

- **ISIL (Da'esh) and Al-Qaida Sanctions List:** For individuals and entities associated with Al-Qaida
- **1988 Sanctions List:** For individuals and entities associated with Taliban

In addition to above screening of its customers against the list provided by Ministry of Home Affairs and/or RBI shall also be carried out.

The Company shall report details of loan accounts resembling any of the individuals/ entities in the lists, to FIU-IND apart from advising Ministry of Home Affairs.

The Company shall ensure compliance with the procedure laid down for freezing of assets under Section 51A of Unlawful Activities (Prevention) Act, 1967.

## 7. Secrecy Obligations and Sharing of Information

The Company shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the Company and the customer.

The Company shall satisfy itself, in case there is a request for data/ information, that the data/ information being sought is not of such a nature which will violate the provisions of the laws relating to secrecy in the transactions.

The Company shall maintain confidentiality of information as per Section 45NB of RBI Act, 1934.

The exceptions to the above rule shall be:

- (i) Disclosure under compulsion of law
- (ii) Duty to disclose in public interest
- (iii) Disclosure due to bank's interest
- (iv) Disclosure with the express or implied consent of the customer.

## 8. Recruitment and Training of Employees

The Company shall put in place adequate screening mechanism as an integral part of their personnel recruitment/ hiring process.

The Company shall conduct on-going employee training programme to ensure adequate trainings in AML/ CFT policy.

The Company shall ensure different sets of trainings for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall be specially trained to handle issues arising.

The Company shall ensure proper staffing of the Audit function with persons adequately trained and well-versed in AML/ CFT policies of the Company, regulation and related issues.

## 10. Compliance of KYC & AML Policy

Company shall ensure compliance of this policy by / through:

- (a) Its Senior Management which includes, Executive Director, Chief Financial Officer, Compliance Officer, Head – Internal Audit Department.
- (b) Allocating the responsibility for effective implementation of the policy and its procedures.
- (c) An independent evaluation of the compliance functions of the policies and procedures, including legal and regulatory requirements.
- (d) Concurrent/Internal Audit system shall verify the compliances with KYC & AML policies and procedures.

- (e) Internal Audit (IA) Department of the Company shall submit the notes and compliance of KYC & AML policies & procedure to the Audit Committee of the Company.

**11. Contact Details of Principal Officer Designated & Director:**

**11.1 Contact Details of Principal Officer:**

Principal Officer  
Bussan Auto Finance India Private Limited  
4<sup>th</sup> Floor, Videocon Tower,  
E-1, Jhandewalan Extn., New Delhi-110055  
Phone: 011-43611111  
E mail: [grievanceofficer@bafindia.com](mailto:grievanceofficer@bafindia.com)

**11.2 Contact Details of Designated Director:**

Designated Director  
Bussan Auto Finance India Private Limited  
4<sup>th</sup> Floor, Videocon Tower,  
E-1, Jhandewalan Extn, New Delhi-110055  
Phone: 011-43611111  
E mail: [compliance@bafindia.com](mailto:compliance@bafindia.com)

*For* **Bussan Auto Finance India Private Limited**

**Sd/-**

**Kota Odagiri**  
**Managing Director**

**Standard Operating Procedures (SOP's) for Customer Identification Procedures (CIP), and Customer Due Diligence (CDD)****Customer Identification Procedures:**

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

- Upon commencement of an account-based relationship with the customer.
- Questionable authenticity or adequacy of the obtained customer identification data.
- Suspected an intentional structuring of transaction(s) below Rupees Fifty Thousand (Rs. 50,000/-),
- No additional Officially Valid Document (OVD), are being asked for from the customers, if they have already submitted an OVD having both proof of identity and address.
- If the current address is different from the one recorded on the submitted OVD, no separate proof of such an address is asked from the customer. For this, only a declaration is to be obtained from the customer indicating the address to which all correspondence will be made by the Company such as acknowledgement of receipt of letter, loan kit, feedback form, telephonic conversation, visit to the place, or the like.
- A 'positive confirmation' is carried out, in case the customer does not have the proof of the local address for correspondence.
- A fresh proof of address is obtained within 6 months, in case the address mentioned as per the collected proof of address has undergone a change.

**Identification of Beneficial Owner:** For opening a loan account of a Legal Person who is not a natural person, the Company shall identify the beneficial owner(s) and also take all reasonable steps in term of Rule 9(3) Prevention of Money Laundering (Maintenance of Records) Rules, 2005, to verify his/her identity keeping in view the following:

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

**Customer Due Diligence (CDD) Measures and Guidelines as per BAF KYC and AML Policy, 2017**

Individuals	Sole Proprietary Firms	Companies	Partnership Firms	Trusts	Unincorporated Associations/ Body of Individuals*	Other Juridical Persons**
<p>One certified copy of the following:</p> <ul style="list-style-type: none"> <li>• Passport</li> <li>• Driving License</li> <li>• proof of possession of Aadhaar number,</li> <li>• Voter's Identity Card issued by the Election Commission of India</li> <li>• Job-Card issued by NREGA (duly signed by an officer of the State Government)</li> <li>• letter issued by the National Population Register containing details of name and address</li> </ul> <p>ALONGWITH:</p> <ul style="list-style-type: none"> <li>• One recent photograph</li> <li>• Other documents pertaining to the nature of business or financial status specified by the Company in its KYC &amp; AML Policy.</li> </ul>	<p>A certified copy of an OVD (as mentioned in <b>Appendix A</b>) for establishing the identity and address of the individual proprietor.</p> <p>AND, any TWO of the following:</p> <ul style="list-style-type: none"> <li>• Registration Certificate</li> <li>• Certificate/ license issued by the municipal authorities under Shop and Establishment Act.</li> <li>• Sales and income tax returns.</li> <li>• CST/ VAT certificate</li> <li>• Certificate/ registration document issued by Sales Tax/ Service Tax/ Professional Tax authorities.</li> <li>• IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT/ License/ Certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.</li> <li>• Complete Income Tax Return in the name of the sole proprietor, reflecting the firms' income duly authenticated/ acknowledged by the Income Tax Authority.</li> <li>• Utility bills like electricity, water, telephone bills.</li> </ul>	<p>One certified copy of each of the following:</p> <ul style="list-style-type: none"> <li>• Certificate of Incorporation (COI)</li> <li>• Memorandum and Articles of Association (MOA &amp; AOA)</li> <li>• A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf.</li> <li>• Officially Valid Documents (OVD) for managers, officers or employees holding an attorney to transact on its behalf.</li> </ul>	<p>One certified copy of each of the following:</p> <ul style="list-style-type: none"> <li>• Registration Certificate</li> <li>• Partnership Deed</li> <li>• Officially Valid Documents (OVD) for the person holding power of attorney to transact on its behalf.</li> <li>• Power of Attorney (POA/GPA) or Letter of Authority (LOA) in favour of Managing Partner, if the name of Managing Partner not mentioned in the Partnership Deed.</li> </ul>	<p>One certified copy of each of the following:</p> <ul style="list-style-type: none"> <li>• Registration Certificate</li> <li>• Trust Deed</li> <li>• Officially Valid Documents (OVD) for the person holding power of attorney to transact on its behalf.</li> <li>• Power of Attorney (POA/GPA) or Letter of Authority (LOA) in favour of Managing Person, if the name of Managing Person not mentioned in the Trust Deed.</li> </ul>	<p>One certified copy of each of the following:</p> <ul style="list-style-type: none"> <li>• Resolution of the managing body of such Association of Person (AOP) or Body of Individuals (BOI).</li> <li>• Power of attorney granted to transact on its behalf.</li> <li>• Officially Valid Documents (OVD) for the person holding power of attorney to transact on its behalf.</li> <li>• Any other information/ documents, as may be required by the Company to establish the legal existence of such an association or body of individuals.</li> </ul>	<p>One certified copy of each of the following:</p> <ul style="list-style-type: none"> <li>• Document showing name of the person authorised to act on behalf of the entity.</li> <li>• Officially Valid Documents (OVD) for the person holding power of attorney to transact on its behalf.</li> <li>• Any other information/ documents, as may be required by the Company to establish the legal existence of such an entity/ juridical person.</li> </ul>

\* Unregistered Trust/ Partnership firm shall be included in the term 'Unregistered Association'. \*\* Other Juridical Persons may include Government or its departments, Societies, Universities and Local Bodies like Village Panchayats, etc



## Additional Customer Due Diligence (CDD) Measures and Guidelines as per BAF KYC and AML Policy, 2017

### Individuals

- The Company shall print/ download directly, the prospective customer's *e-Aadhaar* letter from the UIDAI portal, if such a customer knows only his/her *Aadhaar* number or if the customer carries only a copy of *e-Aadhaar* downloaded from a place/source elsewhere, provided, the prospective customer is physically present in the branch of the Company.
- For any changes in names on account of marriage or otherwise, a copy of marriage certificate (issued by the State Government or Gazette Notification) indicating the change in name together with a certified copy of the OVD in the existing name of the person shall be obtained by the Company.
- If the person who proposes to open a loan account does not have an OVD for proof of address, the Company shall collect OVD of the relative, with whom the person is staying along with a declaration from the relative that the said person is a relative and is staying with him/ her.
- For low-risk customers, who express their inability to complete any necessary documentation requirements on account of any reason that Company consider to be genuine, the Company shall at its option complete the verification of the customer within a period of six months from the date of establishment of the relationship.
- For low-risk customers for whom the 'simplified CDD measures' were being applied, who are not able to produce any of the OVDs, the Company shall accept any ONE document from each of two additional sets of documents listed in **Appendix B**.
- During the periodic review, if the 'low risk' category customer for whom simplified procedure is applied, is re-categorised as 'moderate or "high' risk category, then the Company shall obtain one of the six OVDs listed in **Appendix A** for proof of identity and proof of address immediately. In the event such a customer fails to submit such an OVD, the Company shall initiate action as envisaged in Section 39 of master Directions.

### Sole Proprietary Firms

- If the Company is satisfied that it is not possible to furnish two such documents, REs may, at their discretion, accept only one of those documents as proof of business/activity.
- The above applies, provided the Company undertake contact point verification and collect such other information and clarification as would be required to establish the existence of such firm, and shall confirm and satisfy itself that the business activity has been verified from the address of the proprietary concern.

### Persons authorized by NBFCs including Brokers/ Agents, etc.

- The Company shall fully comply with the applicable KYC guidelines for persons authorised by NBFCs including brokers/ agents, etc.
- The Company shall accept full consequence for any violations of the KYC guidelines, by the persons authorised by NBFCs including brokers/ agents, etc.
- The Company shall made available the relevant records of persons authorised by NBFCs including brokers/ agents or the like, for audit and inspection whenever required.

### General

- If any existing KYC compliant customer of the Company desires to open another loan account, there shall be no need for a fresh CDD exercise.
- KYC verification once done by one branch/ office of the Company shall be valid for transfer of the loan account to any other branch/ office of the same Company provided that full KYC verification has already been done for the concerned loan account and the same is not due for periodic updation and a self-declaration from the account holder about his/ her current address is obtained in such cases.

## Enhanced Due Diligence (EDD) Measures and Guidelines as per BAF KYC and AML Policy

### Non-Face-to-Face Customers

- In addition to the regular CDD measures, the Company shall include additional procedures i.e., certification of all the documents presented, calling for additional documents and the first payment to be effected through the customer's KYC-complied account with another Regulated Entities (Res), for enhanced due diligence of non-face to face customers.

### Politically Exposed Persons (PEPs)

- The Company shall gather sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP.
- The Company shall verify the identity of the person before accepting the PEP as a customer.
- The Company's senior management shall take a decision to open an account for PEP, in accordance with its Customer Acceptance Policy.
- The Company shall subject all PEP accounts to enhanced monitoring on an on-going basis.
- 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 such a business relationship.
- The Company shall apply CDD measures to PEPs including enhanced monitoring on an on-going basis.
- All of the above guidelines shall be applied to the accounts where PEP is the beneficial owner.

## Guidelines for e-KYC services of Unique Identification Authority of India (UIDAI)

Under the Prevention of Money Laundering Rules, the e-KYC services of Unique Identification Authority of India shall be accepted as a valid process for KYC verification. The extant guidelines are given below:

### General Guidelines

- The Company shall treat the information obtained from UIDAI, containing demographic details and photographs, as an 'Officially Valid Document'.
- The transfer of KYC data, electronically to the Company from UIDAI, shall be accepted by the Company, as a valid process for KYC verification. In such case the Company shall obtain authorisation from the individual user authorising UIDAI by way of explicit consent to release his/ her identity/ address through biometric authentication.

### OTP-based e-KYC: Guidelines (One Time Pin/OTP)

- The Company shall obtain specific consent from the customer for authentication through OTP.
- For the purposes of these guidelines, the Company shall sanction only term loans where the aggregate amount of sanctioned term loan shall not exceed rupees sixty thousand in a year.
- For such an account opened using the OTP based e-KYC, the CDD procedures shall be completed within a period of 1 year otherwise no further debits shall be allowed from such account.
- The Company shall obtain a declaration from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC, either with the same Company or with any other REs.
- While uploading KYC information to CKYCR, the Company shall clearly indicate that such accounts are opened using OTP-based e-KYC and other REs shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure.

## Guidelines for CKYCR (Central KYC Records Registry)

The Company shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the rules, as required KYC templates prepared for 'individuals' and 'legal entities'.

As per the rules, the Company shall upload the KYC data pertaining to all new individual accounts opened on or after from April 01, 2017, with CERSAI\*\* as per the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

Also, the Company shall follow the operational guidelines for uploading the KYC data released by CERSAI.

\*\*CERSAI – Central Registry of Securitisation Asset Reconstruction and Security Interest of India

## Operational Guidelines related to Payments

- Payment of cheques, drafts, pay orders, Banker's cheques, if they are presented beyond the period of three months from the date of such instruments, shall not be made.
- The Company shall obtain PAN of customers wherever applicable and verify the same, while undertaking transactions as per the provisions of Income Tax Rule 114B.
- The Company shall obtain FORM-60, from the customers who do not have PAN wherever applicable.
- The Company shall not collect account payee cheques for any person other than the payee constituent.
- The Company shall allot a Unique Customer Identification Code (UCIC) while entering into new relationships with individual customers as well as the existing customers.

### [Appendix A]

List of the Officially Valid Documents (OVDs), as circulated by the Reserve Bank of India:

- Passport
- Driving License
- Proof of Possession of Adhaar number
- Voter's Identity Card issued by the Election Commission of India
- Job-Card issued by NREGA (duly signed by an officer of the State Government)
- Letter issued by the National Population Register containing details of name, address and *Aadhaar* number

### [Appendix B]

**A. List of the documents, that shall be collected by the Company, in case 'Simplified Measures' are applied for verifying the identity of the customers:**

- Identity card (with applicant's photograph) – issued by Central/ State Government Departments, Statutory/ Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions.
- Letter issued by a Gazetted officer, with a duly attested photograph of the person.

**B. List of the documents, that shall be collected by the Company, in case 'Simplified Measures' are applied for verifying the proof of address:**

- Utility bill, which is not more than two months old, of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill).
- Property or Municipal Tax receipt.
- Bank account or Post Office savings bank account statement.
- Pension or family Pension Payment Orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address.
- Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation.
- Documents issued by Government departments of foreign jurisdictions or letter issued by Foreign Embassy or Mission in India.

## [Appendix C]

### Important Definitions

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

- a. **“Act” and “Rules”** means the Prevention of Money Laundering Act, 2002 and the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto.
- b. **“Central KYC Records Registry”** (CKYCR) means an entity defined under Rule 2(1)(aa) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.
- c. **“Designated Director”** means a person designated by the Company to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and Rules and shall include:
  - (i) The Managing Director of a whole-time director, duly authorized by the Board of Directors, if the Regulated entity is a Company;
  - (ii) The Managing Partner, if the Regulated Entity is a partnership firm;
  - (iii) The Proprietor, if the Regulated Entity is a proprietorship concern;
  - (iv) The Managing Trustee, if the Regulated Entity is a trust
  - (v) A person or individual, as the case may be, who controls and manages the affairs of the Regulated Entity, if the Regulated Entity is an unincorporated association of a body of individuals; and
  - (vi) A person who holds the position of senior management or equivalent designated as a ‘Designated Director’ in respect of Cooperative Banks and Regional Rural Banks.
- d. **“Digital KYC”** means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the RE as per the provisions contained in the Act. The Digital KYC Process as detailed in the ‘Master Direction – Know Your Customer (KYC) Direction, 2016’ (as may be amended from time to time) shall be followed and complied with.
- e. **“Digital Signature”** shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000 (21 of 2000).
- f. **“Equivalent e-document”** means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.
- g. **“Officially Valid Document”** (OVD) means the passport, the driving licence, <sup>9</sup>proof of possession of Aadhaar number, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address.
- h. **“Regulated Entities”** means
  - (i) All Scheduled Commercial Banks (SCBs)/ Regional Rural Banks (RRBs)/ Local Area Banks (LABs)/ All Primary (Urban) Co-operative Banks (UCBs)/ State and Central Co-operative Banks (StCBs/ CCBs) and any other entity which has been licensed under Section 22 of Banking Regulation Act, 1949, which as a group shall be referred as ‘banks’
  - (ii) All India Financial Institutions (AIFIs)
  - (iii) All Non-Banking Finance Companies (NBFCs), Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non-Banking Companies (RNBCs)
  - (iv) All Payment System Providers (PSPs)/ System Participants (SPs) and Prepaid Payment Instrument Issuers (PPI Issuers)
  - (v) All Authorised Persons (APs) including those who are agents of Money Transfer Service Schemes (MTSS), regulated by the Regulator
- i. **“Principal Officer”** means an officer nominated by the Regulated Entity, responsible for furnishing information as per Rule 8 of the Rules.
- j. **“Suspicious Transaction”** means a ‘transaction’ as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith,
  - (i) Gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
  - (ii) Appears to be made in circumstances of unusual or unjustified complexity; or

- (iii) Appears to not have economic rationale or bona-fide purpose; or
  - (iv) Gives rise to a reasonable ground of suspicion that it may involve financing of the activities related to terrorism.
- k. **“Common Reporting Standards”** (CRS) means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters.
- l. **“FATCA”** means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.
- m. **“Customer”** means a person who is engaged in a financial transaction of activity with a Regulated Entity (RE) and includes a person on whose behalf the person who is engaged in the transaction of activity, is acting.
- n. **“Person”** has the same meaning assigned in the Act and includes:
- (i) An individual
  - (ii) A Hindu Undivided Family
  - (iii) A Company
  - (iv) A Firm
  - (v) An Association of Persons or a Body of Individuals, whether incorporated or not
  - (vi) Every artificial juridical person, not falling within any one of the above persons (i) to (v), and
  - (vii) Any agency, office or branch owned or controlled by any of the above persons (i) to (vi).
- o. **“Walk-in Customer”** means a person who does not have an account-based relationship with the Regulated Entity, but undertakes transactions with the Regulated Entity.
- p. **“Non-face-to-face Customers”** means customers who open accounts without visiting the branch/ offices of the Regulated Entities or meeting the officials of Regulated Entities,
- q. **“Customer Due Diligence”** (CDD) means identifying and verifying the customer and the beneficial owner using ‘Officially Valid Documents’ as a ‘proof of identity’ and a ‘proof of address’.
- r. **“On-going Due Diligence”** means regular monitoring of transactions in accounts to ensure that they are consistent with the customers’ profile and source of funds.
- s. **“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 at periodicity prescribed by the Reserve Bank.
- t. **“Politically Exposed Persons”** (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., heads of states/ governments, senior politicians, senior government/ judicial/ military officers, senior executives of state-owned corporations, important political party officials, etc.
- u. **“Customer Identification”** means undertaking the process of Customer Due Diligence.
- v. **“KYC Templates”** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
- w. **“Simplified Procedure”** means the procedure for undertaking customer due diligence in respect of customers, who are rated as low risk by the Regulated Entity and who do not possess any of the six officially valid documents, with the alternate documents prescribed under the two provisos f Section 3(a)(vi) of the Direction.
- x. **“Wire Transfer”** means a transaction carried out, directly or through a chain of transfers, on behalf of an originator person (both natural and legal) through a bank by electronic means with a view to making an amount of money available to a beneficiary person at a bank.
- y. **“Beneficial Owner”** (BO)
- (i) Where the customer is a **Company**, the beneficial owner is the natural person(s), who, whether, acting alone or together, or through one or more juridical person, has/ have a controlling interest or who exercise control through other means.
  - (ii) Where the customer is a **Partnership Firm**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/ have ownership of/ entitlement to more than 15% of capital or profits of the partnership.
  - (iii) Where the customer is an **Unincorporated Association or Body of Individuals**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person,

- has/ have ownership of/ entitlement to more than 15% of the property or capital or profits of the unincorporated association of body of individuals.
- (iv) Where the customer is a **Trust**, the identification of beneficial owner(s) shall include identification of the author of trust, the trustee, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

\*\*\*End of Policy Document\*\*\*