

KNOW YOUR CUSTOMER POLICY OF **RIKALP CAPITAL PRIVATE LIMITED**

Know Your Customer Policy and Anti-Money Laundering Measures

The Reserve Bank of India has been issuing guidelines in regard to Know Your Customer (KYC) standards to be followed by banks and NBFCs and measures to be taken in regard to Anti Money Laundering (AML)/ Combating Financing of Terrorism (CFT). NBFCs are required to put in place a comprehensive policy framework, duly approved by the Board of Directors or competent authority authorized by Board of Directors, in this regard, this policy document has been prepared in line with the RBI guidelines.

We are required to follow certain customer identification procedure while undertaking a transaction either by establishing an account based relationship or otherwise and monitor their transactions.

The KYC policy shall include following four key elements:

- (a) Customer Acceptance Policy;
- (b) Risk Management;
- (c) Customer Identification Procedures (CIP); and
- (d) Monitoring of Transaction

Definitions:- In this policy terms herein shall bear meaning as assigned in RBI policy.

- (a) Terms bearing meaning assigned in terms of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005:
 - i. Aadhaar number", as defined under sub-section (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, henceforth 'The Aadhaar Act', means an identification number issued to an individual by Unique Identification Authority of India (UIDAI) on receipt of the demographic information and biometric information as per the provisions of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016. **Aadhaar will be the document for identity and address.**

"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.

ii. Beneficial Owner (BO)

- a. Where the customer is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person has/have a controlling ownership interest or who exercise control through other means.

Explanation- For the purpose of this sub-clause-

1. "Controlling ownership interest" means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of the company.
2. "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.
- b. Where the customer is a partnership firm, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of capital or profits of the partnership.
- c. Where the customer is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.

Explanation: Term „body of individuals" includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

- d. Where the customer is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.
- iii. "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.
- iv. "Designated Director" means a person designated and to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include:-
- a. the Managing Director or a whole-time Director, duly authorized by the Board of Directors.
- vi. "Non-profit organisations" (NPO) means any entity or organisation that is registered as a trust or a society under the Societies Registration Act, 1860 or any similar State legislation or a company registered under Section 8 of the Companies Act, 2013.
- vii. "Person" has the same meaning assigned in the Act and includes:
- a. an individual,
 - b. a Hindu undivided family,
 - c. a company,
 - d. a firm,
 - e. an association of persons or a body of individuals, whether incorporated or

Not,

- f. every artificial juridical person, not falling within any one of the above persons (a to e), and
- g. any agency, office or branch owned or controlled by any of the above persons (a to f).
- viii. "Principal Officer" means an officer nominated and responsible for furnishing information as per rule.

- ix. "Suspicious transaction" means a "transaction" as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith,
 - a. gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
 - b. appears to be made in circumstances of unusual or unjustified complexity; or
 - c. appears to not have economic rationale or bona-fide purpose; or
 - d. Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

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

- x. "Transaction" means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes: (a).
 - a. opening of an account;
 - b. deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
 - c. the use of a safety deposit box or any other form of safe deposit;
 - d. entering into any fiduciary relationship;
 - e. any payment made or received, in whole or in part, for any contractual or other legal obligation; or
 - f. Establishing or creating a legal person or legal arrangement.

(b) Terms bearing meaning assigned in this POLICY, unless the context otherwise requires, shall bear the meanings assigned to them below: i. "Customer" means a person who is engaged in a financial transaction or activity and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

ii. "Walk-in Customer" means a person who does not have an account based relationship but undertakes transactions.

iii. "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".

iv. "Customer identification" means undertaking the process of CDD.

v. "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?

vi. "KYC Templates" means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.

vii. "Non-face-to-face customers" mean customers who open accounts without visiting the branch/offices of the REs or meeting the officials of REs.

viii. "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.

ix. "Periodic Updation" means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the Reserve Bank.

x. "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.

xi. Vinco Finins Private Limited is referred as NBFC-ND

a. all Scheduled Commercial Banks (SCBs)/ Regional Rural Banks (RRBs)/ Local Area Banks (LABs)/ All Primary (Urban) Co-operative Banks (UCBs) /State and Central Co-operative Banks (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"

b. All India Financial Institutions as (AIFIs)

c. All Non-Banking Finance Companies (NBFC)s, Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non-Banking Companies (RNBCs).

d. All Payment System Providers (PSPs)/ System Participants (SPs) and Prepaid Payment Instrument Issuers (PPI Issuers)

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

General :-

Designated Director:

(a) A "Designated Director" shall be nominated by the Board.

(b) The name, designation and address of the Designated Director shall be communicated to the FIU-IND.

(c) In no case, the Principal Officer shall be nominated as the 'Designated Director'.

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.

Compliance of KYC policy

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

Customer Acceptance Policy

- (a) No account will be opened in anonymous or fictitious / benami name.
- (b) No account is opened where we are unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.
- (c) No transaction or account based relationship is undertaken without following the CDD procedure.
- (d) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation is specified.
- (e) „Optional“/additional information is obtained with the explicit consent of the customer after the account is opened.
- (f) CDD Procedure is followed for all the joint account holders, while opening a joint account.
- (g) Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- (h) Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.

Customer Acceptance Policy shall not result in denial of financial facility to members of the general public, especially those, who are financially or socially disadvantaged.

Risk Management

For Risk Management, 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.
- (b) Risk categorisation shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and

Information about the clients“ business and their location etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

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.

Explanation: FATF Public Statement, the reports and guidance notes on KYC/AML issued by the Indian Banks Association (IBA), guidance note circulated to all cooperative banks by the RBI etc., may also be used in risk assessment.

Customer Identification Procedure (CIP)

- i. "Customer identification" means undertaking the process of CDD.
- ii. "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".

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

- (a) Commencement of an account-based relationship with the customer.
- (b) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- (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.

Part I - CDD Procedure in case of Individuals

We shall obtain the following documents from an individual while establishing an account based relationship:

- (a) one certified copy of an "Officially valid document" (OVD) containing details of identity and address;
- (b) one recent photograph; and
- (c) Such other documents pertaining to the nature of business or financial status which may be considered necessary for sanction of loan.
- (d) "Officially valid document" (OVD) means
 1. the passport,
 2. the driving licence,
 3. the Permanent Account Number (PAN) Card,
 4. the Voter's Identity Card issued by the Election Commission of India,
 5. job card issued by NREGA duly signed by an officer of the State Government,

6. Letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number.

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

As the PAN CARD, do not have address, one address proof will be required with PAN CARD.

- (a) The customers shall not be required to furnish an additional OVD, if the OVD submitted by the customer for KYC contains both proof of identity and proof of address.
- (b) A customer shall not be required to furnish separate proof of current address, if it is different from the address recorded in the OVD. In such cases, the company shall merely obtain a declaration from the customer indicating the address to which all correspondence will be made by the company.
- (c) The local address for correspondence, for which their proof of address is not available, shall be verified through „positive confirmation“ such as acknowledgment of receipt of letter, cheque books, ATM cards, telephonic conversation, visits to the place, or the like.
- (d) In case it is observed that the address mentioned as per „proof of address“ has undergone a change, the company shall ensure that fresh proof of address is obtained within a period of six months.

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

- (a) Necessary information of such customers" due diligence carried out by the third Party is immediately obtained by the company.
- (b) 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.

While undertaking customer identification, the company shall ensure that:

- (a) Decision-making functions of determining compliance with KYC norms shall not be outsourced.
- (b) Provided that where „simplified measures“ are applied for verifying the identity of the customers the following documents shall be deemed to be OVD:

1. 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;

2. Letter issued by a Gazetted officer, with a duly attested photograph of the Person.

i Provided further that where „simplified measures“ are applied for verifying, for the limited purpose of, proof of address the following additional documents are deemed to be OVDs :

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

ii Provided that 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.

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

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

Provided 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 to the company.

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

- (i) There must be a specific consent from the customer for authentication through OTP

- (ii) Only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year. Account should not allow for more than one year.
- (iii) Borrower accounts opened using OTP based e-KYC shall not be allowed for more than one year within which Customer Due Diligence (CDD) procedure is to be completed. If the CDD procedure is not completed within a year, no further debits shall be allowed.
- (iv) A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC either with the company or with any other RE. Further, while uploading KYC information to CKYCR, the company shall clearly indicate that such accounts are opened using OTP based e-KYC and other REs shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure.
- (v) 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.

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 Aadhaar downloaded from a place/source elsewhere, provided, the prospective customer is physically present in the branch of the RE.

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

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 company, provided full KYC verification has already been done for the concerned 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.

Part II - CDD Measures for Sole Proprietary firms

For opening an account in the name of a sole proprietary firm, a certified copy of an OVD as mentioned above, containing details of identity and address of the individual (proprietor) shall be obtained.

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

- a. Registration certificate

- b. Certificate/licence issued by the municipal authorities under Shop and Establishment Act.
- c. Sales and income tax returns.
- d. CST/VAT/GST certificate.
- 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 / License /certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
- g. Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities.
- h. Utility bills such as electricity, water, and landline telephone bills.

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

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.

Part III- CDD Measures for Legal Entities

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

- a. Certificate of incorporation.
- b. Memorandum and Articles of Association.
- (c) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf.
- (d) Officially valid documents in respect of managers, officers or employees holding an attorney to transact on its behalf.

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

- (a) Registration certificate.
- (b) Partnership deed.
- (c) Officially valid documents in respect of the person holding an attorney to transact on its behalf.

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

- (d) Registration certificate.
- (e) Trust deed.
- (f) Officially valid documents in respect of the person holding a power of attorney to transact on its behalf.

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

- (g) resolution of the managing body of such association or body of individuals;
- (h) power of attorney granted to transact on its behalf;
- (i) Officially valid documents in respect of the person holding an attorney to transact on its behalf and
- (j) Such information as may be required by the company to collectively establish the legal existence of such an association or body of individuals.

Explanation: Unregistered trusts/partnership firms shall be included under the term 'unincorporated association'.

Explanation: Term 'body of individuals' includes societies.

Part IV - Identification of Beneficial Owner

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

- (a) Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.
- (b) In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.
- (a) No transaction or account based relationship is undertaken without following the CDD procedure.
- (b) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation is specified.
- (c) „Optional“/additional information is obtained with the explicit consent of the customer after the account is opened.
- (d) CDD Procedure is followed for all the joint account holders, while opening a joint account.
- (e) Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- (f) Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.

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; and the source of funds.

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) Deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

The extent of monitoring shall be aligned with the risk category of the customer.

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

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

Periodic Updation

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 subject to the following conditions:

- (a) 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.
- (b) 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.
- (c) Physical presence of low risk customer at the time of periodic updation shall not be insisted upon.
- (d) The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.
- (e) Fresh photographs shall be obtained from customer for whom account was opened when they were minor, on their becoming a major.
- (f) 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.

Part VI - Enhanced and Simplified Due Diligence Procedure A. Enhanced Due Diligence Accounts of non-face-to-face customers:

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 ENTITY , for enhanced due diligence of non-face to face customers.

Accounts of Politically Exposed Persons (PEPs)

- A. The company shall have the option of establishing a relationship with PEPs provided that:
 - (a) sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP;
 - (b) the identity of the person shall have been verified before accepting the PEP as a customer;
 - (c) the decision to open an account for a PEP is taken at a senior level in accordance with the company Customer Acceptance Policy;
 - (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;
 - (f) the CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.
- B. These instructions shall also be applicable to accounts where a PEP is the beneficial owner.

Record Management

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

- (a) 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;
- (b) preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least five years after the business relationship is ended;
- (c) make available the identification records and transaction data to the competent authorities upon request;
- (d) introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005);
- (e) maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:
 - (i) the nature of the transactions;
 - (ii) the amount of the transaction and the currency in which it was denominated;
 - (iii) the date on which the transaction was conducted; and
 - (iv) the parties to the transaction.

- (f) evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities;
- (g) Maintain records of the identity and address of their customer, and records in respect of transactions in hard or soft format.

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.

Explanation: In terms of Third Amendment Rules notified September 22, 2015 regarding amendment to sub rule 3 and 4 of rule 7, Director, FIU-IND shall have powers to issue guidelines to the JFIL for detecting transactions referred to in various clauses of sub-rule (1) of rule 3, to direct them about the form of furnishing information and to specify the procedure and the manner of furnishing information.

The reporting formats and comprehensive reporting format guide, prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist reporting entities in the preparation of prescribed reports shall be taken note of. The editable electronic utilities to file electronic

Cash Transaction Reports (CTR) / Suspicious Transaction Reports (STR) which FIU-IND has placed on its website shall be made use of by the company which are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data. The Principal Officers of the company, whose all branches are not fully computerized, shall have suitable arrangement to call 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 where an STR has been filed. REs shall keep the fact of furnishing of STR strictly confidential. It shall be ensured that there is no tipping off to the customer at any level.

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

Requirements/obligations under International Agreements Communications from International Agencies –

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

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

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

In addition to the above, other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time to time shall also be taken note of. **Freezing of Assets under Section 51A of Unlawful Activities (Prevention) Act, 1967**

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

Jurisdictions that do not or insufficiently apply the FATF Recommendations

- (a) FATF Statements circulated by Reserve Bank of India from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered. Risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement shall be taken into account.
- (b) Special attention shall be given to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF Statements.

Explanation: The process referred to in Section 55 a & b do not preclude the company from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statement.

- (c) The background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations shall be examined, and written findings together with all Documents shall be retained and shall be made available to Reserve Bank/other relevant authorities, on request.

Other measures:

Secrecy Obligations and Sharing of Information:

- a. The company shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the company and customer.
- b. While considering the requests for data/information from Government and other agencies, the company shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in the banking transactions.
- c. The exceptions to the said rule shall be as under:
 - i. Where disclosure is under compulsion of law,
 - ii. Where there is a duty to the public to disclose,
 - iii. the interest of the company requires disclosure and
 - iv. Where the disclosure is made with the express or implied consent of the customer.
- d. The company shall maintain confidentiality of information as provided in Section 45NB of RBI Act 1934.

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

The company shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as required by the revised KYC templates prepared for

„[Individuals](#)“ and „Legal Entities“ as the case may be. Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015.

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

- i. The company shall upload the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017 with CERSAI in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, As early as possible.

- iii. [Operational Guidelines \(version 1.1\)](#) for uploading the KYC data have been released by CERSAI. Further, „Test Environment“ has also been made available by CERSAI for the use of ENTITIES.

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

Under FATCA and CRS, shall adhere to the provisions of Income Tax Rules [114F](#), [114G](#) and [114H](#) and determine whether they are a Reporting Financial Institution as defined in Income Tax Rule 114F and if so, shall take following steps for complying with the reporting requirements:

- (a) Register on the related e-filing portal of Income Tax Department as Reporting Financial Institutions at the link <https://incometaxindiaefiling.gov.in/> post login - -> My Account --> Register as Reporting Financial Institution,
- (b) Submit online reports by using the digital signature of the „Designated Director“ by either uploading the Form 61B or „NIL“ report, for which, the schema prepared by Central Board of Direct Taxes (CBDT) shall be referred to.
Explanation: The Company shall refer to the spot reference rates published by Foreign Exchange Dealers' Association of India (FEDAI) on their website at <http://www.fedai.org.in/RevaluationRates.aspx> for carrying out the due diligence procedure for the purposes of identifying reportable accounts in terms of Rule 114H.
- (c) Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H.
- (d) Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules.
- (e) Constitute a “High Level Monitoring Committee” under the Designated Director or any other equivalent functionary to ensure compliance.
- (f) Ensure compliance with updated instructions/ rules/ guidance notes/ Press releases/ issued on the subject by Central Board of Direct Taxes (CBDT) from Time to time and available on the web site <http://www.incometaxindia.gov.in/Pages/default.aspx>. JFIL may take note of the following:
 - a) updated [Guidance Note](#) on FATCA and CRS
 - b) a [press release](#) on „Closure of Financial Accounts“ under Rule 114H

Collection of Account Payee Cheques

Account payee cheques for any person other than the payee constituent shall not be collected.

(a) A Unique Customer Identification Code (UCIC) shall be allotted while entering into new relationships with individual customers as also the existing customers by the company.

(b) The company shall, at their option, not issue UCIC to all walk-in/occasional customers such as buyers of pre-paid instruments/purchasers of third party products provided it is ensured that there is adequate mechanism to identify such walk-in customers who have frequent transactions with them and ensure that they are allotted UCIC.

Introduction of New Technologies – Credit Cards/Debit Cards/ Smart Cards/Gift Cards/Mobile Wallet/ Net Banking/ Mobile Banking/RTGS/ NEFT/ECS/IMPS etc.

Adequate attention shall be paid by the company to any money-laundering and financing of terrorism threats that may arise from new or developing technologies and it shall be ensured that appropriate KYC procedures issued from time to time are duly applied before introducing new products/services/technologies.

Quoting of PAN : Permanent account number (PAN) of customers shall be obtained and verified while undertaking transactions as per the provisions of [Income Tax Rule 114B](#) applicable

To banks, as amended from time to time. Form 60 shall be obtained from persons who do not have PAN.

Selling Third party products

The company acting as agents while selling third party products as per regulations in force from time to time shall comply with the following aspects for the purpose of these directions:

- (a) The identity and address of the walk-in customer shall be verified for transactions above rupees fifty thousand.
- (b) Transaction details of sale of third party products and related records shall be maintained.
- (c) AML software capable of capturing, generating and analysing alerts for the purpose of filing CTR/STR in respect of transactions relating to third party products with customers including walk-in customers shall be available.
- (d) transactions involving rupees fifty thousand and above shall be undertaken only by:
 - debit to customers" account or against cheques; and
 - Obtaining and verifying the PAN given by the account based as well as walk-in customers.

- (e) Instruction at „d“ above shall also apply to sale of the company own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for rupees fifty thousand and above.

Hiring of Employees and Employee training

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

Adherence to Know Your Customer (KYC) guidelines by persons authorised by the company including brokers/agents etc.

- (c) Persons authorised by the company for collecting the deposits and their brokers/agents or the like, shall be fully compliant with the KYC guidelines applicable to the company.
- (d) All information shall be made available to the Reserve Bank of India to verify the compliance with the KYC guidelines and accept full consequences of any violation by the persons authorised by the company including brokers/agents etc. who are operating on their behalf.
- (b) The books of accounts of persons authorised by the company including brokers/agents or the like, so far as they relate to brokerage functions of the company, shall be made available for audit and inspection whenever required.