

# **KNOW YOUR CUSTOMER & ANTI - MONEY LAUNDERING POLICY**

**INFINITY FINCORP SOLUTIONS PRIVATE LIMITED**

#### **A. Preamble:**

As per the The Reserve Bank of India (RBI) guidelines on 'Know Your Customer' (KYC) to all Non-Banking Financial Companies (NBFCs) in the context of the recommendations made by the Financial Action Task Force (FATF) and Anti Money Laundering (AML) standards and Combating Financing of Terrorism (CFT) policies. Having applied for NBFC license from RBI, Infinity Fincorp Solutions Private Limited has adopted the said KYC guidelines with suitable modifications depending on the business activity undertaken by it. The policy shall be applicable once NBFC license is received and IFSPL starts his operations. The Company has ensured that a proper policy framework on KYC and AML measures be formulated in line with the prescribed RBI guidelines and put in place duly approved by its Board of Directors.

#### **B. Background :**

Money laundering refers to concealing or disguising the origin and ownership of the proceeds from criminal activity, including drug trafficking, public corruption, terrorism, fraud, human trafficking, and organized crime activities. Terrorist financing is the use of legally or illegally obtained funds to facilitate terrorist activities. Money laundering and terrorist financing may involve a wide variety of financial products, services, and transactions including lending and investment products, and the financing of equipment and other property that could be used to facilitate terrorism and other criminal activity.

Generally, the money laundering process involves three (3) stages: placement, layering and integration. As illegal funds move from the placement stage through the integration stage, they become increasingly harder to detect and trace back to the illegal source.

1. *Placement* is the point where illegal funds first enter the financial system.
2. *Layering* After illegal funds have entered the financial system, layers are created by closing and opening accounts, purchasing and selling various financial products, transferring funds among financial institutions and across national borders. The criminal's goal is to create layers of transactions to make it difficult to trace the illegal origin of the funds.
3. *Integration* occurs when the criminal believes that there are sufficient number of layers hiding the origin of the illegal funds to safely invest the funds or apply them towards purchasing valuable property in the legitimate economy.

To prevent money-laundering in India and to provide for confiscation of property derived from, or involved in, money-laundering and related matters, the Parliament of India enacted the Prevention of Money Laundering Act, 2002 (PMLA), as amended from time to time. Further, necessary Notifications / Rules under the said Act have been published and amended by the Ministry of Finance, the Government of India.

As per the Prevention of Money Laundering Act 2002, the offence of Money Laundering is defined as: "Whosoever directly or indirectly attempts to indulge or knowingly assists or

knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering. "Proceeds of crime" means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to scheduled offence or the value of any such property." The PMLA defines money laundering offence and provides for the freezing, seizure and confiscation of the proceeds of crime. The Reserve Bank of India (RBI) vide Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 dated February 25 2016 and subsequent modifications thereof, have prescribed guidelines "Anti Money Laundering" guidelines/ standards. In view of the above, AML - KYC policy of IFSPL has been framed to broadly achieve the following purposes:

- a) To prevent criminal elements from using IFSPL for money laundering activities
- b) To enable IFSPL to know/ understand its customers and their financial dealings better which, in turn, would help the Company to manage risks prudently.
- c) To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.
- d) To comply with applicable laws and regulatory guidelines.
- e) To ensure that the concerned staff are adequately trained in KYC/AML/CFT procedures.

This Policy will be applicable to all branches/offices of IFSPL and is to be read in conjunction with related operational guidelines issued from time to time.

## **C. DEFINITIONS:**

### **1. Customer**

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

### **2. Beneficial Owner:**

- 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 - 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.

3. **Customer Due Diligence (CDD)** - Identifying and verifying the customer and the beneficial owner using 'Officially Valid Documents (OVD)' as a 'proof of identity' and a 'proof of address'.

4. **Officially valid document (OVD) - means and includes**

- i. Passport,(Not expired)
- ii. Driving license,( Not Expired)
- iii. PAN card,
- iv. Voter ID / Election ID card,
- v. Job card issued by NREGA duly signed by an officer of the State Government,
- vi. Aadhaar Card issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number.



Provided that where 'simplified measures' are applied for verifying the identity of the customers the following documents shall be deemed to be OVD:

- 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.

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:

- i. Utility bill, which is not more than two months old, of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- ii. Property or Municipal Tax receipt
- iii. Bank account or Post Office savings bank account statement;
- iv. Pension or family Pension payment orders (PPOs) issued to retired employees by Government Departments or PSUs, if they contain address.
- v. 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; and
- vi. Documents issued by Government departments of foreign jurisdictions or letter issued by Foreign Embassy or Mission in India.

**5. Person - means 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).

6. Senior Management - for the purpose of KYC compliance shall include Designated Director, Head of Credit, Head of Risk, Business Heads, Key Managerial Persons, Compliance Officer, Principal Officer (PO) and his/her supervisor.

#### **D. CUSTOMER ACCEPTANCE POLICY ("CAP")**

IFSPL's Customer Acceptance policy (CAP) lays down the criteria for acceptance of customers. The guidelines in respect of the customer relationship with IFSPL broadly are detailed below:

- a) No account is to be opened in anonymous or fictitious/benami name(s)/entity(ies).
- b) Accept customers only after verifying their identity, as per CDD Procedures defined aforesaid and shall be followed for all the joint account holders (including guarantors) as well, while opening a joint account.
- c) Necessary checks before opening a new account are to be ensured so that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc. For this purpose, the Company shall maintain lists of individuals or entities issued by RBI, United Nations Security Council, other regulatory & enforcement agencies, internal lists as the Company may decide from time to time. Full details of accounts/ customers bearing resemblance with any of the individuals/entities in the list shall be treated as suspicious and reported.
- d) Classify customers into various risk categories and, based on risk perception, apply the acceptance criteria for each category of customers. Also, a profile of each customer will be prepared based on risk categorization.
- e) Appropriate Enhanced Due Diligence (EDD) measures (refer Annexure I) shall be adopted for high risk customers from AML perspective, especially those for whom the sources of funds are not clear, transactions carried through correspondent accounts and customers who are Politically Exposed Persons (PEPs) and their family members/close relatives.
- f) In respect of unusual or suspicious transactions/applications or when the customer moves from a low risk to a high-risk profile, appropriate EDD measures (refer Annexure I) shall be adopted.
- g) Documentation requirements and other information to be collected in respect of different categories of Customers depending on perceived risk and compliances with Prevention of Money Laundering Act, 2002 (PMLA) and RBI/ IFSPL guidelines/instructions are indicated in Annexure II to this Policy. The information collected from the Customers shall be kept confidential.
- h) Not to open an account or close an existing account (except as provided in this Policy), where CDD measures as defined in this Policy could not be applied, due to non-cooperation of the customer or non-reliability of the data/ information furnished to IFSPL. Suitable built-in safeguards shall be provided to avoid any harassment to Customers.

- i) Implementation of CAP should not become too restrictive and result in denial of IFSPS services to general public, especially to those who are financially or socially disadvantaged.
- j) The decision to open an account for Politically Exposed Person (PEP) should be taken at a senior level. It may, however, be necessary to have suitable built in safeguards to avoid harassment of the customer. For example, decision to close an account may be taken at a reasonably high level after giving due notice to the customer explaining the reasons for such a decision.
- k) Circumstances, in which a customer is permitted to act on behalf of another person/ entity shall be clearly spelt out in conformity with the established law and practice and shall be strictly followed so as to avoid occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in the fiduciary capacity or beneficial owner
- l) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- m) 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.
- n) IFSPS shall seek only such information from the customer which is relevant to the risk category and is not intrusive. Any other information from the customer should be sought separately with his/her consent and after opening the account.

#### **E. RISK MANAGEMENT**

For Risk Management, the Company will have a risk based approach which includes the following:

- i. Customers shall be categorized as low, medium and high risk category, based on the assessment and risk perception of the Company;
- ii. Risk categorization 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.

- iii. The customers will be monitored on regular basis with built in mechanism for tracking irregular behavior for risk management and suitable timely corrective action.
- iv. The Company shall prepare a profile for each new customer during the credit appraisal based on risk categorization as mentioned in this policy. The customer profile shall contain the information relating to the customer's identity, social/financial status, nature of business activity, information about his clients' business and their location, etc. The nature and extent of due diligence will depend on the risk perceived by IFSPL. These requirements may be moderated according to the risk perception.

**A. High Risk – (Category A):**

High risk customers typically will include:

- a. Individuals and entities listed or identified in – various United Nations' Security Council Resolutions (UNSCRs) such as UN 1267, schedule to the order under section 51A of the Unlawful Activities (Prevention) Act, 1967, in watch lists issued by Interpol and other similar international organizations, regulators, FIU and other competent authorities as high-risk etc.; b) Customers conducting their business relationship or transactions in unusual circumstances, such as significant and unexplained geographic distance between the institution and the location of the customer, frequent and unexplained movement of accounts to different institutions, etc.;
- b. Non - resident Customers (excluding applicants for retail education loans)
- c. High net worth individuals without an occupation track record of more than 3 years
- d. Trust, charitable organizations, non govt. organization (NGO), organizations receiving donations (Excluding applicants / beneficial owners who are running affiliated education institutions) – Refer Annexure I
- e. Firms with sleeping partners
- f. Politically exposed persons (PEPs) of Indian/ foreign origin, customers who are close relatives of PEPs and accounts of which a PEP is the ultimate beneficial owner h) Customers with dubious reputation as per public information available or commercially available watch lists.
- g. Gambling/gaming including "Junket Operators" arranging gambling tours; j) Jewelers and Bullion Dealers; k) Dealers in high value or precious goods (e.g. gem and precious metals dealers, art and antique dealers and auction houses, estate agents and real estate brokers); l) Customers engaged in a



business which is associated with higher levels of corruption (e.g., arms manufacturers, dealers and intermediaries; m) Customers that may appear to be Multi-level marketing companies etc. n) Any borrower/co-borrower working in a country identified as high risk.

**B. Medium Risk – (Category B):**

Medium risk customers typically will include:

- a. Trust, charitable organizations, non govt. organization (NGO), organizations receiving donations (i.e. applicants / beneficial owners who are running affiliated education institutions)
- b. Salaried applicant with variable income/ unstructured income receiving Salary in cheque
- c. Salaried applicant working with Private Limited Companies related to travel agents, telemarketers, internet café and International direct dialing (IDD) call service.
- d. Self employed professionals other than HNIs (excluding applicants for retail education loans)
- e. High net worth individuals with occupation track record of more than 3 years
- f. One of more borrowers resident outside India (excluding student going abroad to study)
- g. Companies having close family shareholding or beneficial ownership. h) Non face to face to customers (Refer Annexure I)

**C. Low Risk – (Category C):**

Low risk customers typically will include:

- a. Salaried employees with well defined salary structures
- b. People working with government owned companies, regulators and statutory bodies etc.
- c. People belonging to lower economic strata of the society whose accounts show small balances and low turnover
- d. People working with Public Sector Units
- e. People working with reputed Public Limited Companies and Multinational Companies. All borrowers resident in India (including student going abroad to study)
- f. Low risk individuals (other than high net worth) and entities whose identities and sources of wealth can be easily identified and all other person not covered under above two categories.

In the event of an existing customer or the beneficial owner of an existing account subsequently becoming PEP, the Company will obtain senior management approval in such cases to continue the business relationship with such person, and also undertake EDD measures as specified in Annexure I.

#### **F. CUSTOMER IDENTIFICATION PROCEDURES ("CIP")**

1. The Company shall undertake identification of customers in the following cases:
  - I. Commencement of an account-based relationship with the customer;
  - II. When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained;
  - III. Selling their own products, selling third party products as agents and any other product for more than Rs.50,000/-.
  - IV. Carrying out transactions for a non-account based customer (walk-in customer);
2. The Company shall obtain satisfactory evidence of the identity of the customer depending upon the perceived risks at the time of commencement of relationship/ opening of account. Such evidences shall be substantiated by reliable independent documents, data or information or other means like physical verification etc.
3. The Company will obtain Permanent account number (PAN) of customers as per the applicable provisions of Income Tax Rule 114B. Form 60 shall be obtained from persons who do not have PAN.
4. For the customers that are legal person or entities:
  - i. the Company will verify the legal status for the legal person/ entity through proper and relevant documents;
  - ii. the Company will understand the beneficial ownership and control structure of the customer and determine who the natural persons are and who ultimately controls the legal person.
5. Additional documentation may be obtained from the customers with higher risk perception as may be deemed fit. This shall be done having regard but not limited to location (registered office address, correspondence address and other addresses as may be applicable), nature of business activity, repayment mode & repayment track record.
6. For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, the Company, at its discretion may at its option, rely on customer due diligence done by a third party, subject to the following conditions:
  - i. Necessary information of such customers' due diligence carried out by the third party is immediately obtained by the Company;



ii. Adequate steps are taken by the Company to satisfy that copies of identification data and other relevant documentation relating to customer due diligence shall be made available from the third party upon request without delay

iii. 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;

iv. The third party shall not be based in a country/ jurisdiction assessed as high risk;

v. The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures (as per Annexure I), as applicable, will be with the Company.

7. While undertaking customer identification, the Company will ensure that:

i. Decision-making functions of determining compliance with KYC norms shall not be outsourced.

ii. The customers shall not be required to furnish an additional OVD, if the OVD submitted for KYC contains proof of identity as well as proof of address e.g. Passport.

iii. The customers will not be required to furnish separate proof of address for permanent and current addresses, if these are different. In case the proof of address furnished by the customer is the address where the customer is currently residing, a declaration shall be taken from the customer about her/ his local address on which all correspondence will be made by the Company. The local address for correspondence, for which their proof of address is not available, shall be verified through 'positive confirmation' such as cheque books, ATM cards, telephonic conversation, positive address verification, Rent agreement, etc.

iv. In case of change in the address mentioned on the 'proof of address', fresh proof of address

should be obtained within a period of six (6) months.

v. Enhanced Due diligence measures are indicated in Annexure I. An indicative list of the nature and type of documents/information that may be relied upon for customer due diligence / identification is given in Annexure II.

8. Periodic Updating of KYC data: IFSP shall periodically update Customer's KYC information / documents after the transaction is entered. The periodicity of updating of Customer's KYC data shall be once in 10 years for low risk customers, once in every 8 years for medium risk customers, and once in 2 years for high risk categories, subject to following conditions:

a) Fresh proofs of identity and address shall not be sought at the time of periodic updation from customers who are categorized 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 periodic updation is allowed provided while on boarding, the customer was subjected to proper KYC process.

#### **G. CUSTOMER DUE DILIGENCE (CDD) PROCEDURE**

1. CDD Procedure in case of Individuals - The Company will obtain the following documents from an individual while establishing an account based relationship:

i. One (1) certified copy of an OVD as defined above containing details of identity and address (as per Annexure II);

ii. One (1) recent photograph; and

iii. Such other documents pertaining to the nature of business or financial status specified by the Company.

2. The information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for cross selling or other purpose, except with the express consent from the customer.

3. Submission of PAN or form 60 in lieu of PAN and Aadhaar is mandatory for all customers, to the extent applicable, unless it is specifically exempted under any law/act/regulations/notification / circular etc.

Note: The Company will capture the KYC information for sharing with the CKYCR in the manner as prescribed in the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, under the prescribed KYC templates for 'individuals' and 'Legal Entities' as applicable. Further, the Company will upload the KYC data pertaining to all types of prescribed accounts with CKYCR, as and when required, in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

4. The Company may 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 Company.

5. 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.

6. If a person who proposes to open an account does not have an OVD as 'proof of address', such person shall provide OVD of the relative, with whom the person is staying, as the 'proof of address'. 'Relative' as per Section 2(77) of the Companies Act, 2013 shall mean and include:



- i. Members of Hindu Undivided family (HUF),
- ii. Husband or Wife,
- Father (includes step-father),
- Mother (includes step-mother),
- Brother (includes step-brother),
- Sister (includes step-sister),
- Son (includes step-son),
- Son's wife,
- Daughter, and
- Daughter's husband

A declaration from the relative that the said person is a relative and is staying with him/her shall be obtained.

7. If a customer categorized as 'low risk' expresses inability to complete the documentation requirements on account of any genuine reason, and where it is essential not to interrupt the normal conduct of business, the Company may, at its discretion, complete the verification of identity of the customer within a period of 6 months from the date of establishment of the relationship.

#### **H. Monitoring of Transactions:**

As per Income Tax Act, 1961, Cash cannot be accepted by any person (Branch / collection staff) over and above Rs. 2,00,000/- (Two Lacs only) for a particular transaction or series of integrally connected transactions. The Company does not accept cash deposits in foreign currency. As per Income Tax Act, 1961, for any Cash or its equivalent payment over and above Rs. 10,000/-, a 'source of funds' declaration for such cash should be obtained from the Customer / person depositing / repaying the loan. Note: Source of funds in cash is through 'sale of immovable property', then Cash or its equivalent for more than Rs. 20,000/- should not be accepted. Ongoing monitoring is an essential element of effective KYC procedures. Monitoring of transactions and its extent will be conducted taking into consideration the risk profile and risk sensitivity of the account. IFSP shall make endeavors to understand the normal and reasonable activity of the customer so that the transactions that fall outside the regular/pattern of activity can be identified, Special attention will be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose. IFSP may prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions which exceed these limits. Transactions that involve cash over and above Rs. 1 lac should

particularly attract the attention of IFSP. Higher risk accounts shall be subjected to intense monitoring.

IFSP shall set key indicators for such accounts basis the background of the customer, country of origin, sources of funds, the type of transactions involved and other risk factors which shall determine the extent of monitoring. IFSP shall carry out the periodic review of risk categorization of transactions/customer's accounts and the need for applying enhanced due diligence measures at a periodicity of not less than once in six (6) months. IFSP shall explore the possibility of validating the new account opening applications with various watch lists available in public domain, including RBI watch list.

#### **I. Training Programme**

IFSP shall have an ongoing employee training programs so that the members of the staff are adequately trained in KYC/ AML/ CFT procedures. Training requirements shall have different focuses for frontline staff, compliance staff and officer/ staff dealing with new customers so that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

#### **J. Internal Control System**

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

Further, the Company shall have an adequate screening mechanism in place as an integral part of their recruitment/ hiring process of personnel so as to ensure that person of criminal nature/ background do not get an access, to misuse the financial channel.

#### **K. Record keeping**

a) Maintenance of records of transactions



The Company shall maintain proper record of the transactions as required under Section 12 of the Prevention of Money Laundering Act, 2002 (PMLA) read with Rules 3 of the PML Rules as mentioned below: (i) All cash transactions of the value of more than Rs. 2 lacs, though by policy the Company does not accept cash deposits in foreign currency. (ii) All series of cash transactions integrally connected to each other which have been valued below Rs. 2 lacs where such series of transactions have taken place within a month. (iii) All transactions involving receipts by non-profit organizations of rupees ten lakhs or its equivalent in foreign currency. (iv) All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place; any such transactions;

(v) records pertaining to identification of the customer and his/her address; and (vi) All suspicious transactions whether or not made in cash and in manner as mentioned in the Rule framed by the Government of India under PMLA. An Illustrative List of suspicious transaction pertaining to financial services is given in Annexure III.

b) Records to contain the specified information

The Records referred to above in Rule 3 of PMLA Rules to contain the following information: i. the nature of the transactions; ii. the amount of the transaction and the currency in which it was denominated; iii. the date on which the transaction was conducted; and iv. the parties to the transaction.

c) Maintenance and preservation of records

Section 12 of PMLA requires the Company to maintain records as under: i. records of all transactions referred to in clause (a) of Sub-section (1) of section 12 read with Rule 3 of the PML Rules is required to be maintained for a period of five (5) years from the date of transactions between the clients and IFSP. ii. records of the identity of all clients of IFSP is required to be maintained for a period of five years from the date of cessation of transactions between the clients and IFSP. IFSP shall take appropriate steps to evolve a system for proper maintenance and preservation of information in a manner (in hard and soft copies) that allows data to be retrieved easily and quickly whenever required or as/when requested by the competent authorities.

#### **L.Appointment of Principal Officer**

IFSP shall designate a senior employee as 'Principal Officer' (PO) who shall be located at the Head/Corporate office and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. The name, designation and address of the Principal Officer shall be communicated to the FIU-IND.

#### **M. Reporting to Financial Intelligence Unit - India**

In accordance with the requirements under PMLA, the Principal Officer of IFSP will furnish the following reports, as and when required, to the Director, Financial Intelligence Unit-India (FIU-IND):

a) Cash Transaction Report (CTR) - If any such transactions detected, Cash Transaction Report (CTR) for each month by 15th of the succeeding month.

b) Counterfeit Currency Report (CCR) - All such cash transactions where forged or counterfeit Indian currency notes have been used as genuine as Counterfeit Currency Report (CCR) for each month by 15th of the succeeding month.

c) Suspicious Transactions Reporting (STR) - The Company will endeavor to put in place automated systems for monitoring transactions to identify potentially suspicious activity. Such triggers will be investigated and any suspicious activity will be reported to FIU-IND.

The Company will file the Suspicious Transaction Report (STR) to FIU-IND within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. However, in accordance with the regulatory requirements, the Company will not put any restriction on operations in the accounts where an STR has been filed. An indicative list of suspicious transactions is enclosed as Annexure III.

The employees of IFSPPL shall maintain strict confidentiality of the fact of furnishing/ reporting details of suspicious transactions.

#### **N. Appointment of Designated Director**

The Board of Directors shall nominate a "Designated Director" to ensure compliance with the obligations prescribed by the PMLA and the Rules there under. The "Designated Director" can be a person who holds the position of senior management or equivalent. However, it shall be ensured that the Principal Officer is not nominated as the "Designated Director". The name, designation and address of the Designated Director shall be communicated to the FIU-IND.

#### **O. General**

##### **1. Closure of Accounts/Termination of Financing/Business Relationship**

Where IFSPPL is unable to apply appropriate KYC measures due to non furnishing of information and/or non-cooperation by the customer, IFSPPL shall terminate Financing/Business Relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decision shall be taken with the approval of Chairman & Managing Director or key managerial persons authorized for the purpose.

##### **2. KYC for the Existing Accounts:**

While the KYC guidelines will apply to all new customers, the same would be applied to the existing customers on the basis of materiality and risk. However, transactions with existing customers would be continuously monitored for any unusual pattern in the operation of the accounts.

##### **3. Updation in KYC Policy of Company**

Principal Officer after taking the due approval from the Board of Directors of IFSPPL shall make the necessary amendments/modifications in the KYC/ AML/ CFT Policy or such other



related guidance notes of Company, to be in line with RBI or such other statutory authority's requirements/updates/ amendments from time to time.

## Annexure I

### Enhanced Due Diligence (EDD) measures

1. Accounts of Politically Exposed Persons (PEPs) Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.

- i. Branch/office shall gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain.
- ii. Branch/office shall verify the identity of the person and seek information about the sources of funds before accepting the PEP as a Customer.
- iii. The decision to provide financial services to an account for PEP shall be taken at a senior level and shall be subjected to monitoring on an ongoing basis.
- iv. The above norms may also be applied to the accounts of the family members or close relatives of PEPs.

### 2. Accounts of non-face-to-face customers

2.1 In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, there must be specific and adequate procedures to mitigate the higher risk. 2.2 Certification of all the documents presented may be insisted upon and, if necessary, additional documents may be called for. 2.3 In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and the NBFCs may have to rely on third party certification/ introduction. In such cases, it must be ensured that the third party is a regulated and supervised entity and has adequate KYC systems in place.

3. Trust/Nominee or Fiduciary Accounts Branch/offices shall determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, they shall insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. IFSPL shall take reasonable precautions to verify the identity of the trustees and the settlers of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries shall be identified when they are defined. In the case of a 'foundation', branches shall take steps to verify the founder managers/ directors and the beneficiaries, if

defined. There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures

#### 4. Accounts of companies and firms

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

Annexure II Customer Identification Procedure Features to be verified and Documents that may be obtained from Customers

INDIVIDUALS	<p><b>I. PROOFS OF IDENTITY:-</b></p> <ul style="list-style-type: none"> <li>a. Passport (OVD)</li> <li>b. *Pan Card (OVD)</li> <li>c. Voter's Identity Card (OVD)</li> <li>d. Driving License (OVD)</li> <li>e. Photo Credit Card</li> <li>f. Defence ID Card (OVD)</li> <li>g. Central &amp; State Govt ID Card (OVD)</li> <li>h. Aadhaar Card (OVD)</li> <li>i. Letter issued by a Gazetted officer, with a duly attested photograph of the person (OVD) ( should be a photo ID)</li> <li>j. Job card issued by NREGA duly signed by an Officer of State Government (OVD) *Note: PAN or form 60 in lieu of PAN</li> </ul> <p><b>II. PROOFS OF RESIDENCE:-</b></p> <ul style="list-style-type: none"> <li>1) Passport (OVD)</li> <li>2) Property or Municipal Tax Paid Receipt (OVD )</li> <li>3) Bank Account or Post Office savings bank account Statement (OVD)</li> <li>4) Letter from any recognized public authority.</li> <li>5) Telephone bill / Post paid Mobile phone bill / Electricity bill / Water Bill / Piped gas bill not more than 3 months old (OVD)</li> <li>6) Aadhaar Card (OVD)</li> <li>8) Letter from employer (Subject to the satisfaction of the Company)</li> <li>9) Copy of Registered agreement to sale / sale deed</li> <li>10) 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. (OVD – only for address purpose)</li> <li>11) Voter's ID card (OVD)</li> </ul> <p>Additional / Optional documents:</p> <ul style="list-style-type: none"> <li>i. Registered Leave &amp; License Agreement or Rent Agreement having the validity <ul style="list-style-type: none"> <li>as on the date of entering into a relationship with the company. (only for address purpose)</li> </ul> </li> <li>ii. Pension or family Pension payment orders (PPOs) issued to retired employees by Government Departments or PSUs, if they contain address. (only for address purpose)</li> <li>iii. A person not having an address proof in his/her own name may provide an address proof (as accepted by the company) of any close relative (e.g. Spouse, son, daughter, parents) supported by a document establishing their relationship (e.g. Pan Card, Passport, Birth Certificate. Etc.,) supported with a declaration that the said customer is residing with the relative whose address proof is being provided to the company.</li> </ul>
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<b>PROPRIETORSHIP FIRM</b>	<p>1 PAN CARD of the Proprietorship Firm/ Proprietor of the firm</p> <p>The documents prescribed for individual i.e. Identity proof and Address proof should be obtained in respect of proprietor. In addition to above, for the Proprietorship Concern any one of the following documents should be obtained.</p> <p>2 Proof of the name, address and activity of the concern, like registration certificate (in the case of a registered concern)</p> <p>3 Certificate / license issued by the Municipal authorities under Shop &amp; Establishment Act.</p> <p>4 Goods and Service Tax / Profession Tax returns, , certificate / registration document issued by Goods and Service Tax / Professional Tax authorities.</p> <p>5 License issued by the Registering authority like Certificate of Practice issued by ICAI, ICWAI, ICSI, IMC, FDCA etc.</p> <p>6 Any registration / licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority / Department.</p> <p>7 IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT.</p> <p>8 The complete Income Tax return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated / acknowledged by the Income Tax Authorities. E-filed IT return copy to be accompanied along with acknowledgement from Income Tax department</p> <p>9 Utility bills not older than 2 months such as electricity, water, and landline telephone bills in the name of the proprietary concern</p>
<b>PRIVATE / PUBLIC LIMITED COMPANY / LLPS</b>	<p>Mandatory documents – ONE</p> <p>(1) certified copy of each of the following documents needs to be obtained:</p> <p>1) Certificate of incorporation</p> <p>2) Memorandum &amp; Articles of Association</p> <p>3) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf.</p> <p>4) Officially valid documents (OVDs) in respect of managers, officers or employees holding an attorney to transact on its behalf.</p> <p>5). *PAN card *Note: PAN or form 60 in lieu of PAN and Aadhaar of the Directors, KMPs, Partners, or persons holding an attorney to transact the business on behalf of entity.</p> <p>Additional / Optional documents:</p> <p>6). Certificate / registration document issued by Sales Tax / GST / Professional Tax authorities</p>



	<p>7) Copy of the utility bill (not more than two months old)/ Copy of PAN allotment letter for address proof</p> <p>8) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document.</p>
PARTNERSHIP FIRM	<p>Mandatory documents –</p> <p>One (1) certified copy of each of the following documents needs to be obtained:</p> <ol style="list-style-type: none"> <li>1). Registration certificate, if registered</li> <li>2). *PAN card</li> <li>3). Partnership deed</li> <li>4). Officially valid documents (OVDs) in respect of the person holding an attorney to transact on its behalf. *Note: PAN or form 60 in lieu of PAN and Aadhaar of the Partners, or persons holding an attorney to transact the business on behalf of entity.</li> </ol> <p>Additional / Optional documents:</p> <ol style="list-style-type: none"> <li>5). Certificate / registration document issued by Sales Tax / GST / Professional Tax authorities</li> <li>6). Copy of the utility bill (not more than two months old)/ Copy of PAN allotment letter for address proof</li> <li>7). IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document.</li> <li>8). Any registration / licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority / Department.</li> <li>9). License issued by the Registering authority like Certificate of Practice issued by ICAI, ICWAI, ICSI, IMC, FDCA etc.</li> <li>10) The complete Income Tax return (not just the acknowledgement) in the name of the Partnership Firm where the firm's income is reflected, duly authenticated / acknowledged by the Income Tax Authorities.</li> <li>11) Utility bills not older than 2 months such as electricity, water, and landline telephone bills in the name of the Partnership Firm</li> </ol>
TRUST	<p>Mandatory documents – One (1) certified copy of each of the following documents needs to be obtained: (a) Registration certificate (b) Trust deed (c) Officially valid documents (OVDs) in respect of the person holding a power of attorney or of any Trustee(s) to transact on its behalf (d) *PAN card *Note: PAN or form 60 in lieu of PAN and Aadhaar of the Partners, or persons holding an attorney to transact the business on behalf of entity.</p> <p>Additional / Optional documents: 1). Certificate / registration document issued by Sales Tax / GST / Professional Tax authorities 2). Copy of the utility bill (not more than two months old)/ Copy of PAN allotment letter for address proof</p>
Unincorporated associations 1. Association of Persons (AOP) 2. Body of Individuals (BOI)	<p>Mandatory documents –</p> <p>One (1) certified copy of each of the following documents needs to be obtained:</p> <ol style="list-style-type: none"> <li>(a) resolution of the managing body of such association or body of individuals;</li> <li>(b) power of attorney granted to transact on its behalf;</li> </ol>

<p>Explanation 1: Unregistered trusts/ partnership firms shall be included under the term 'unincorporated association'.</p> <p>Explanation 2: Term 'body of individuals' includes societies.</p>	<p>(c) Officially valid documents (OVDs) in respect of the person holding an attorney to transact on its behalf and</p> <p>(d) Any such information as may be required by IFSP to collectively establish the legal existence of such an association or body of individuals.</p> <p>(e) *PAN card *Note: PAN or form 60 in lieu of PAN and Aadhaar of the Partners, or persons holding an attorney to transact the business on behalf of entity.</p> <p>Additional / Optional documents: 1). Certificate / registration document issued by Sales Tax / GST / Professional Tax authorities 2). Copy of the utility bill (not more than two months old)/ Copy of PAN allotment letter for address proof</p> <p>IFSP</p>
<p>Juridical persons not specifically covered in the earlier part, such as Government or its Departments, Societies, Universities and Local bodies like Village Panchayats</p>	<p>Mandatory documents – One (1) certified copy of each of the following documents needs to be obtained:</p> <ol style="list-style-type: none"> <li>1. Document showing name of the person authorised to act on behalf of the entity;</li> <li>2. Officially valid documents (OVDs) for proof of identity and address in respect of the person holding an attorney to transact on its behalf, and</li> <li>3. Such documents as may be required by IFSP to establish the legal existence of such an entity/juridical person. Additional / Optional documents:</li> <li>4. Certificate / registration document issued by Sales Tax / GST / Professional Tax authorities</li> <li>5. Copy of the utility bill (not more than two months old) / Copy of PAN allotment letter for address proof</li> </ol> <p>IFSP</p>

### Annexure III

A. Broad categories of reason for suspicion and examples of suspicious transactions for Non Banking Financial Companies are indicated as under: Identity of client - False identification documents - Identification documents which could not be verified within reasonable time - Accounts opened with names very close to other established business entities Background of client - Suspicious background or links with known criminals Multiple accounts - Large number of accounts having a common account holder, introducer or authorized signatory with no rationale Activity in accounts - Unusual activity compared with past transactions Nature of transactions - Unusual or unjustified complexity - Involves proceeds of an criminal / illegal activity, regardless of the value involved - No economic rationale or bonafide purpose - Frequent purchases of drafts or other negotiable instruments with cash - Nature of transactions inconsistent with what would be expected from declared business - Reasonable ground of suspicion that it may involve financing of activities relating to terrorism and/or account holder / beneficial owner linked or related to terrorist, terrorist organization or those who finance or attempt to finance terrorist activities. Value of transactions - Value just under the reporting threshold amount in an apparent attempt to avoid reporting - Value inconsistent with the client's apparent financial standing.

#### B. Illustrative list of Suspicious Transactions

- Reluctant to part with information, data and documents
- Submission of false documents, purpose of loan and detail of accounts
- Reluctance to furnish details of source of funds of initial contribution
- Reluctance to meet in person, representing through power of attorney
- Approaching a distant branch away from own address
- Maintaining multiple accounts without explanation
- Payment of initial contribution through unrelated third party account
- Suggesting dubious means for sanction of loan
- Where transactions do not make economic sense
- Where doubt about beneficial ownership
- Encashment of loan through a fictitious bank account
- Sale consideration quoted higher or lower than prevailing area prices
- Request for payment in favor of third party with no relation to transaction
- Usage of loan amount for purposes other than stipulated in connivance with vendors, or agent
- Frequent request for change of address
- Overpayment of installments with a request to refund the overpaid amount
- Approvals/sanctions from authorities are proved to be fake
- Overpayment of installments with a request to refund the overpaid amount