

L&T Housing Finance Limited

**Policy for Know Your Customer (KYC) Norms / Anti-Money
Laundering (AML) Standards / Combating of Financing of
Terrorism (CFT)**

Version	Date of adoption	Change reference	Owner	Approving authority
1	October 2020	KYC-AML guidelines updated in lines with know your customer directions, 2016 issued by RBI and updated as on May 19, 2020	Group Regulatory Compliance	Board of Directors

Important Note:

If at any point a conflict of interpretation / information between this Policy and any Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Circulars/ Directions by Reserve Bank of India arise then interpretation of such Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Directions issued by Reserve Bank of India shall prevail.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	4
INTRODUCTION.....	4
1. OBJECTIVE	4
2. SCOPE.....	4
3. IMPORTANT DEFINITIONS.....	5
4. CUSTOMER ACCEPTANCE POLICY (CAP).....	7
5. CUSTOMER IDENTIFICATION PROCEDURE (CIP).....	8
6. RELIANCE ON THIRD PARTY FOR CUSTOMER DUE DILIGENCE	8
7. CUSTOMER DUE DILIGENCE.....	9
8. DOCUMENTS TO BE OBTAINED FOR VARIOUS TYPES OF CUSTOMERS	10
9. UNIQUE CUSTOMER IDENTITY CODE CREATION (UCIC).....	14
10. PROCEDURE FOR DETERMINING BENEFICIAL OWNER.....	14
11. PERIODIC UPDATION.....	15
12. CUSTOMER RISK CATEGORISATION	15
13. MAINTENANCE AND PRESERVATION OF RECORDS	16
14. REPORTING TO FINANCIAL INTELLIGENCE UNIT – INDIA.....	16
15. SECRECY OBLIGATIONS	17
16. HIRING OF EMPLOYEES AND EMPLOYEE TRAINING	17
17. OPERATIONALISATION OF CENTRAL KYC REGISTRY (CKYCR)	17
18. GENERAL	17
19. ON-GOING DUE DILIGENCE.....	17
20. RISK BASED ASSESSMENT OF MONEY LAUNDERING AND TERRORIST FINANCING RISK	18
21. VIDEO BASED CUSTOMER IDENTIFICATION PROCESS (V-CIP).....	18

EXECUTIVE SUMMARY

'Know Your Customer' (KYC) guidelines of RBI require banks, financial institutions, NBFCs & HFCs (added as per RBI's circular dated May 19 2020) to verify identity of each customer so as to avoid any fraudulent transactions. These guidelines are issued by the Reserve Bank of India in terms of the provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 as notified by the Government of India, and amended from time to time vide circulars. Any contravention of, or non-compliance with, the same may attract penalties under the relevant provisions of the Act. Regulated Entities (REs) are required to follow certain customer identification procedures while undertaking a transaction either by establishing an account-based relationship or otherwise and monitor their transactions. Proper KYC also helps the lending institution to avoid incurring credit losses caused by identity theft and impersonation which could impact loan recoveries.

This policy document covers the following activities:

- Customer acceptance policy
- Standard set of documents that are acceptable for KYC verification for different types of customers (Customer Identification Procedures)
- Risk Categorization and Risk Management
- Standard procedure related to obtaining documents, scrutiny and storage

INTRODUCTION

L&T Housing Finance Limited ("the Company / LTHF") is a wholly owned subsidiary of L&T Finance Holdings Limited ("LTFH") and is a Housing Finance Company registered with the National Housing Bank ("NHB")

1. OBJECTIVE

The main objectives of KYC Policy are to:

- Prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities.
- Know/understand the customers and their financial dealings better which in turn will help to manage the risks prudently.
- Help in detecting and preventing money laundering activities

2. SCOPE

The policy document is applicable across all departments of L&T Housing Finance Limited.

3. IMPORTANT DEFINITIONS

I. **Aadhaar number**", as defined in the Aadhaar and Other Law (Amendment) Ordinance, 2019, means an identification number issued to an individual under sub-section (3) of section 3 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016), and includes any alternative virtual identity generated under sub-section (4) of that section.

II. **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 persons, has/have a controlling ownership interest or who exercises control through other means.

Explanation- For the purpose of this sub-clause-

- "Controlling ownership interest" means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of the company.
 - "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 off entitlement to more than 15per 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 off 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 by the Company 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,

Explanation - For the purpose of this clause, the terms "Managing Director" and "Whole-time Director" shall have the meaning assigned to them in the

Companies Act, 2013. Since the Company does not have a Managing Director, the whole time Director, shall be the designated director of the Company.

V. Officially Valid Document” (OVD) means

- a. passport,
- b. the driving licence,
- c. proof of possession of Aadhaar number,
- d. the Voter's Identity Card issued by the Election Commission of India,
- e. job card issued by NREGA duly signed by an officer of the State Government and
- f. letter issued by the National Population Register containing details of name and address

Provided that,

Where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.

VI. Principal Officer means an officer nominated by the Company. The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations.

VII. 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.

IX. Transaction means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:

- 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

X. Certified Copy - Obtaining a certified copy by the Company shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid document so produced by the

customer with the original and recording the same on the copy by the authorised officer of the Company as per the provisions contained in the Act.

- XI. Offline verification** shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016).
- XII. Equivalent e-document** means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.
- XIII. 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, Cred politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.
- XIV. Digital KYC** means capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the RE as per the provisions contained in the Act.
- XV.** Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority

4. CUSTOMER ACCEPTANCE POLICY (CAP)

For the purpose of this document 'Customer' is an entity/person that has been sanctioned a credit facility by the company or the one who has business relationship with the company and includes the following:

- Borrower, Co-borrower, Guarantor and Authorized signatory who signs / executes legal documents on behalf of principal borrower.
- Any entity that is eligible to enter into a contract as per laws of the country, e.g. minor, lunatic person cannot enter into a contract.

The criteria for acceptance of customers are as below:

- Customer/ Authorised signatory must be a major (i.e. 18 years or above) and must not be incapacitated for entering into a contract as per Indian Contract Act
- Customer/ Authorised signatory must be Indian National.
- Name / identity of the customer/ Authorised signatory should not appear / match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India as amended from time to time.
- Company officials must be satisfied as regards KYC due diligence, as defined under this policy, of the customer/ Authorised signatory
- No customer/ Authorised signatory to be accepted in anonymous or fictitious/ benami name(s)
- Not to accept customers / Authorised signatory where the Company is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.

- Customer / Authorised signatory name should not have been included in the list of STR submitted to FIU-IND under PMLA
- In case of customers being PEP or becoming PEP subsequently, it is necessary to take an approval of Credit Committee.
- The Company shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of a Company desires to open another account with the same RE, there shall be no need for a fresh CDD exercise.

5. CUSTOMER IDENTIFICATION PROCEDURE (CIP)

Customer identification means using the process of Customer Due Diligence.

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

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

6. RELIANCE ON THIRD PARTY FOR CUSTOMER DUE DILIGENCE

- For the purpose of identifying and verifying the identity of customers at the time of commencement of an account-based relationship, the Company may rely on a third party; subject to the conditions that:
- The Company within two days obtains necessary information of such client due diligence carried out by the third party either from third party or from the Central KYC records;
- The Company should take adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;
- The Company should satisfy itself that such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;
- The third party is not based in a country or jurisdiction assessed as high risk;
- Though the customer due diligence may be undertaken through third party, the Company is ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable.
- While undertaking customer identification through third parties, the Company shall ensure that:
- Decision-making functions of determining compliance with KYC norms shall not be outsourced.
- 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.
- The customers shall 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 current 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, telephonic conversation, visits to the place, or the like.
- In case it is observed that, the address mentioned as per 'proof of addresses has undergone a change, the Company shall ensure that fresh proof of address is obtained within a period of six months

7. CUSTOMER DUE DILIGENCE

Customer Due Diligence means identifying and verifying the customer and the beneficial owner with the help of documents mentioned in Para 8 below

Some of the considerations while accepting the customer are as follows:

A customer will not be on boarded in the event of following:

- Customer/Authorised signatory gives false information with respect to his/her identity, sources of income or businesses. KYC documents provided appear to be unreliable or alleged as fake such as different signature or photo.
- Customer /Authorised signatory are unwilling or refusing to provide information /documents requested by the officials without any clear reasons. Or customer only submits photocopies of KYC documents refusing to show original documents for verification.
- Customer / Authorised signatory present different identification documents at different times. It is difficult to verify identity of the customer.
- Customer / Authorised signatory admit or make statements about involvement in criminal activities.

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 Company / Bank / Financial Institution, for enhanced due diligence of non-face to face customers and politically exposed persons. The Company shall on regular basis monitor the transactions to ensure that they are consistent with the customers' profile and source of funds.

Company shall obtain following documents deemed to be OVDs for the limited purpose of proof of address in case the OVD furnished by the customer does not contain updated address,

- a. Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- b. Property or Municipal tax receipt;
- c. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
- d. Letter of allotment of accommodation from employer issued by State Government or Central Government Department, Statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation;

Provided that in case the OVD submitted by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

Company shall follow-up with such customers for updated OVDs.

8. DOCUMENTS TO BE OBTAINED FOR VARIOUS TYPES OF CUSTOMERS

Business rules:

- Business Representative shall, at the time of customer acquisition or approving a financial transaction/activity, or executing any transaction, verify the record of identity, signature proof and proof of current address or addresses including permanent address of the customer// Authorised signatory.
- It is necessary that Business Team / Branch Operations verifies the photocopy of the KYC documents with the originals and certifies on the KYC Form, the fact of having verified the same under his/her signature (Original Seen & Verified – OSV).
- It is necessary to ensure that the identity of the customer / Director / partner / authorized signatory does not match with any entity with known criminal background or with banned entities available on United Nations website. [Http://www.un.org/sc/committees/1988/list.shtml](http://www.un.org/sc/committees/1988/list.shtml). Customer name should be checked against the negative list provided by UNSCR.

Following Information to be obtained in standard forms from prospective customers

Constitution	Entity whose KYC documents to be collected
Individual i.e. the Authorised signatory of the Corporate Customer	Individual in personal capacity
Limited Liability Partnership	All partners of the LLP (Besides other documents for the LLP)
Limited company	All the directors of the company. (Besides other documents for the company)
Trust, NGO, Club	All the trustees. (Besides other documents for the Trust/ NGO/Club)

List of documents acceptable as KYC “KYC Documents”

Information to be obtained	Documents acceptable as evidence for KYC verification. (It is not necessary to obtain all the documents listed below)
<p>For an Individual (in any capacity for example, proprietor, partner, Director, authorized signatory, power of attorney holder or trustee):</p> <ul style="list-style-type: none"> • Legal name or any other name used 	<ul style="list-style-type: none"> • a certified copy of any OVD containing details of his identity and address • one recent photograph • the Permanent Account Number or Form No. 60 as defined in Income-tax Rules, 1962, and

- Address (Permanent or Current)

The Company may carry out offline verification of a customer if he is desirous of undergoing Aadhaar offline verification for identification purpose.

In cases where successful authentication has been carried out, other OVD and photograph need not be submitted by the customer.

Explanation: The Company shall, where its customer submits his Aadhaar number, ensure such customer to redact or blackout his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required under section 7 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act.

In case a person who desires to open an account is not able to produce any of the OVDs:

- a) a self-attested photograph from the customer
- b) The designated officer of the Company certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence
- c) Balances in all their accounts taken together shall not exceed rupees fifty thousand at any point of time.
- d) The total credit in all the accounts taken together shall not exceed rupees one lakh in a year
- e) The customer shall be made aware that no further transactions will be permitted until the full KYC procedure is completed in case Directions (c) and (d) above are breached by him.
- f) The customer shall be notified when the balance reaches rupees forty thousand or the total credit in a year reaches rupees eighty thousand that appropriate documents for

	<p>conducting the KYC must be submitted otherwise the operations in the account shall be stopped when the total balance in all the accounts taken together exceeds the limits prescribed in direction (c) and (d) above.</p>
<p>For Company</p> <ul style="list-style-type: none"> • Type of company • Constitution document • CIN • Address – registered office, corporate office 	<p>One certified copy of each of the following documents shall be obtained:</p> <ul style="list-style-type: none"> • Certificate of incorporation • Memorandum and Articles of Association • Permanent Account Number of the company • A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf • In respect of managers, officers or employees holding an attorney to transact on its behalf, all identity and address proof documents as specified for individuals above • Telephone Bill / Utility Bill • Shop and Establishment Certificate • GST / Sales Tax / VAT Registration • Business Certificate approved by State or Local government bodies
<p>Sole Proprietary Concerns</p> <ul style="list-style-type: none"> • Identity & Address • Proof of business & activity 	<p>The complete KYC for the Individual Proprietor (as per the guidelines for Individuals above) should be obtained.</p> <ul style="list-style-type: none"> • Registration certificate. • Certificate/licence issued by the municipal authorities under Shop and • Establishment Act. • Sales and income tax returns. • GST/V AT/CST certificate (provisional/ final). • Certificate/registration document issued by Sales Tax/Service Tax/

	<ul style="list-style-type: none"> • Professional Tax authorities. • IEC (Importer Exporter Code) issued to the proprietary concern by the office • Of DCFT/Licence/ certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute. • 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.
<p>Partnership Firms</p> <ul style="list-style-type: none"> • Legal name • Address • Names of all partners and their addresses • Telephone numbers of the firm and partners 	<ul style="list-style-type: none"> • Registration certificate, if registered • Partnership deed • Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf • Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses. • Telephone Bill / Utility Bill* in the name of firm/partners. • Shop and Establishment Certificate • GST / Sales Tax / VAT Registration • (viii) Business Certificate approved by State or Local government bodies
<p>Trusts & Foundations</p> <ul style="list-style-type: none"> • Names of trustees, settlers, beneficiaries and signatories • Names and addresses of the founder, the managers/directors and the beneficiaries • Telephone/fax numbers 	<ul style="list-style-type: none"> • Certificate of registration, if registered • Trust Deed • Power of Attorney granted to transact business on its behalf • Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/ directors and their addresses • Resolution of the managing

	<p>body of the foundation/association.</p> <ul style="list-style-type: none"> • GST / Sales Tax / VAT Registration • Business Certificate approved by State or Local government bodies
Unincorporated association or a body of individuals	<ul style="list-style-type: none"> • resolution of the managing body of such association or body of individuals • power of attorney granted to him to transact on its behalf • an officially valid document in respect of the person holding an attorney to transact on its behalf • And such other information as may be required by HFC to collectively establishes the legal existence of such as association or body of individuals. • Shop and Establishment Certificate • GST / Sales Tax / VAT Registration • Business Certificate approved

9. UNIQUE CUSTOMER IDENTITY CODE CREATION (UCIC)

UCIC shall be created and allotted to every customer (existing and prospective) to help the company in identifying the customer and to avoid the possibility of same customer having multiple identities within a Financial Institution or across the financial system.

The UCIC will help to identify customers, track the facilities availed, monitor financial transactions in a holistic manner i.e. adherence to exposure norms as stipulated by RBI and enable a better approach to risk profiling of customers.

10. PROCEDURE FOR DETERMINING BENEFICIAL OWNER

For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and all reasonable steps in terms of Rule 9(3) of the Rules to verify his/her identity shall be undertaken keeping in view the following:

- 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.
- 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.

11. 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.

- a) Company shall carry out
 - I. PAN verification from the verification facility available with the issuing authority and
 - II. Authentication, of Aadhaar Number already available with the company with the explicit consent of the customer in applicable cases.
 - III. In case identification information available with Aadhaar does not contain current address an OVD containing current address may be obtained.
 - IV. Certified copy of OVD containing identity and address shall be obtained at the time of periodic updation from individuals except those who are categorised as 'low risk'. In case of low risk customers when there is no change in status with respect to their identities and addresses, a self-certification to that effect shall be obtained.
 - V. In case of Legal entities, company shall review the documents sought at the time of opening of account and obtain fresh certified copies.
- b) Company may not insist on the physical presence of the customer for the purpose of furnishing OVD or furnishing consent for Aadhaar authentication unless there are sufficient reasons that physical presence of the account holder/holders is required to establish their bona-fides. Normally, OVD / Consent forwarded by the customer through mail/ post, etc., shall be acceptable.
- c) Company shall ensure to provide acknowledgment with date of having performed KYC updation.
- d) The time limits prescribed above would apply from the date of opening of the account/last verification of KYC.

Enhanced due diligence in case of Politically Exposed person

- In case of opening account where PEPs is the beneficial owner following to be ensured:
- The identity of the person shall have been verified before accepting the PEP as a customer;
- The decision to open an account for a PEP is taken at a senior level
- The account is subjected to enhanced monitoring on an on-going basis
- In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, Credit Committee's approval is obtained to continue the business relationship;

12. CUSTOMER RISK CATEGORISATION

- Customers shall be categorised as low, medium and high risk category, based on the assessment and risk perception of the Company.
- Risk categorisation shall be undertaken based on parameters such as customer's 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.

- The customer risk categorisation will be reviewed every six month by the Company

13. MAINTENANCE AND PRESERVATION OF RECORDS

The Company shall take following steps and have an appropriate system in place to maintain, preserve and report customer account information, with reference to provisions of PML Act and Rules.

- Maintain all necessary records of transactions for at least 5 years from the date of transaction. Additionally, reference to the preservation documentation policy may be taken on need basis.
- 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;
- The Company should have a system in place that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities.
- maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format

Rule 3 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 lays down following obligations for maintenance of records

- all cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
- all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency
- all transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency;
- all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
- all suspicious transactions whether or not made in cash

The information which should be maintained in respect of above mentioned transactions under Rule 3 are as follows:

- the nature of the transactions;
- the amount of the transaction and the currency in which it was denominated;
- the date on which the transaction was conducted; and
- The parties to the transaction.

14. REPORTING TO FINANCIAL INTELLIGENCE UNIT – INDIA

The Company has developed the system which throws alerts regarding cash transaction and suspicious transaction basis the criteria set in the system. However, the Company does not receive any counterfeit notes. Such counterfeit notes are returned at the branch itself, if received.

The Principal Officer shall report information relating to cash transaction and suspicious transactions if detected, to the Director, Financial Intelligence Unit-India (FIU-IND) as advised in terms of sub-rule (1) of rule 3 of the PMLA rules, in the prescribed formats as designed and circulated by FIU.

A copy of all information furnished shall be retained by the Principal Officer for the purposes of official record.

As advised by the FIU-IND, the Company will not be required to submit 'NIL' reports in case there are no Cash, Counterfeit and Suspicious Transactions, during a particular period.

The company shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967, it does 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).

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 March 14, 2019.

15. SECRECY OBLIGATIONS

The company shall maintain secrecy of the information provided by the customer as mentioned in the section 45NB of the Reserve Bank of India Act

16. HIRING OF EMPLOYEES AND EMPLOYEE TRAINING

Adequate screening mechanism as an integral part of the personnel recruitment/hiring process shall be put in place.

17. OPERATIONALISATION OF CENTRAL KYC REGISTRY (CKYCR)

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. Company shall upload the Know Your Customer (KYC) data with CERSAI in respect of new individual accounts opened on or after April 1, 2017.

The Company has gone live with uploading of information on Central KYC registry.

18. GENERAL

Under FATCA and CRS, company shall adhere to the provisions of Income Tax Rules 114F, 114G and 114H and determine whether they are a Reporting Financial Institution as defined in Income Tax Rule 114F and if so, shall take all the steps for complying with the reporting requirements.

19. On-going Due Diligence

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

20. Risk Based Assessment of Money Laundering and Terrorist Financing Risk

The Company shall carry out periodical exercise to identify and assess money laundering and terrorist financing risks emanating from its clients, product, services, transactions and delivery channels.

While assessing the risk, the Company shall take into cognizance over all sectors specific vulnerabilities that RBI may share from time to time. The Company shall adopt Risk Based approach for identification, mitigation and management of identified risks in the following manner:

Based on the risk categorization exercise carried out as stipulated in the Customer Risk Categorization para, following controls to be put in place for High and Medium Risk customers:

High and Medium category customers to be subjected to enhanced due diligence in the following manner:

- Checking for adverse information on individuals and entities available in the public domain such as:
- Customer is being investigated for criminal offences or terrorist financing offences.
- Adverse media report about criminal activities or terrorism financing or terrorist activities of customer.
- Obtaining confirmation along with reasons from the Borrower in case the repayment comes from a third party account.

21. Video based Customer Identification Process (V-CIP)

It is a method of customer identification by an official of the company by undertaking seamless, secure, real-time, consent based audio-visual interaction with the customer to obtain identification information including the documents required for CDD purpose, and to ascertain the veracity of the information furnished by the customer.