

**MOTILAL OSWAL**

**HOME LOANS**

---



**MOTILAL OSWAL**

**HOME LOANS**

**Motilal Oswal Home Finance Limited (MOHFL)**

**KYC & AML Policy**

Approved By

Board of Directors at its meeting held on June 10, 2014

Title	<b>MOHFL KYC &amp; AML Policy</b>
-------	-----------------------------------

Date of Latest Release	July 26, 2023
------------------------	---------------

Amended by the Board of Directors at its Meeting Held on July 26, 2023

## INDEX

Sr. No.	Particulars	Page No.
1.	Introduction	5
2.	Objective	5
3.	Definition	6
4.	Customer Acceptance Policy	11
5.	Risk Profile	12
6.	Customer Identification Procedure	13
7.	Customer Due Diligence Procedure	15
8.	Monitoring of Transaction	19
8A.	Money Laundering and Terrorist Financing Risk Assessment	20
9.	Risk Management and Ongoing Due Diligence	21
10.	Periodic Updation	22
11.	Maintenance of Transaction	23
12.	Introduction of new technologies	24
13.	Compliance with KYC/ AML Policy through senior management	24
14.	Appointment of Designated Director	25
15.	Appointment of Principal Officer	25
16.	Records to contain the specifies Information	25
17.	Maintenance & Preservation of Records	25
18.	Furnishing of Information to the Director & Financial Intelligence of India	26
19.	Reporting under FATCA	27
20.	Requirements/Obligations under International Agreements Communication from International Agencies	27
21.	Secrecy Obligation & sharing of Information	28
22.	Sharing KYC Information with CKYCR	28
23.	Hiring of Employees and Employee Training	29
24.	Unique Customer Identification Code (UCIC)	29
25.	Selling third party product	29
26.	Review/Revision of Policy	29
27.	Annexure - I (List of Documents Accepted as Proof of Identity, Proof of Address and Signature Proof)	31
28.	Annexure II- Digital KYC Process	39

**VERSION DETAILS**

<b>Sr. No.</b>	<b>Details of Changes</b>	<b>Date of Creation/Change</b>	<b>Department</b>	<b>Author</b>	<b>Version Number</b>	<b>Approved By</b>
1.	Original Document	June 10, 2014	Compliance	Company Secretary	Ver. 1.0	Board of Directors
2.	Changes due to amendments in the regulatory provision	May 21, 2018	Compliance	Company Secretary	Ver. 1.1	Board of Directors
3.	Changes due to amendments in the regulatory provisions	October 24, 2019	Compliance	Compliance Officer	Ver. 1.2	Board of Directors
4	Changes due to amendments in the regulatory provisions	October 29, 2020	Compliance	Compliance Officer	Ver. 1.3	Board of Directors
5	Changes due to amendments in the regulatory provisions	July 28, 2021	Compliance	Compliance Officer	Ver. 1.4	Board of Directors
6	Amendment due to Changes in internal process	October 27, 2021	Compliance	Compliance Officer	Ver. 1.5	Board of Directors
7	Amendment due to Changes in internal process	July 27, 2022	Compliance	Compliance Team	Ver. 1.6	Board of Directors
8	Amendment due to Changes in internal process	October 19, 2022	Compliance	Compliance Team	Ver. 1.7	Board of Directors
9	Changes due to amendments in the regulatory provisions	July 26, 2023	Compliance	Compliance Team	Ver. 1.8	Board of Directors

---

**Motilal Oswal Home Finance Limited**

**Know Your Customer [KYC] & Anti Money Laundering (AML) Measures  
(As approved by the Board of Directors of the Company)**

**1. INTRODUCTION:**

The "Know Your Customer" (KYC) guidelines issued by the Reserve Bank of India (RBI) aims at preventing the Housing Finance Companies (HFCs) from being used intentionally or unintentionally by criminal elements for committing financial frauds, transferring or deposits of funds derived from criminal activity or for financing terrorism.

Pursuant to the notification issued by the National Housing Bank (NHB) on Fair Practices Code guidelines vide its notifications/Circular No. NHB (ND)/DRS/Pol-No.33/2010 dated 11th October, 2010 and as part of the best corporate practices in line with the amendment in the guidelines issued by the Reserve Bank of India vide its Circular No. RBI/2019-20/235 DOR. NBFC (HFC).CC.No.111/03.10.136/2019-20 dated May 19, 2020 extended the Master Direction- Know Your Customer (KYC) Direction, 2016 to HFCs also and Instructions/ guidelines/ regulations contained in the circulars mentioned in the Appendix, issued by National Housing Bank (erstwhile regulator of Housing Finance Companies) stand repealed. Further, according to Master Direction- Know Your Customer (KYC) Direction, 2016 issued by RBI updated as on April 20, 2020, the Company had prepared a comprehensive policy on 'Know Your Customer and Anti-Money Laundering Measures' which is applicable to all the Branches and duly complied with by all the Branch Managers, frontline staff, compliance staff and the staff dealing with the customers. The guidelines are dynamic in nature and are subject to review and amendments from time to time. This policy document is in accordance with various guidelines issued by the RBI for proper identification of an account holder/ customer and for scrutiny/ monitoring of large value cash transaction or transaction of a suspicious nature.

**2. OBJECTIVES OF THE POLICY:**

- To lay down explicit criteria for acceptance of customers.
- To determine the customer's risk in terms of the tendency to commit money laundering, terrorist finance or identity theft and to mitigate the risk.
- To create and assess a 'Customer Profile' on the basis of a customer's transactional behaviour.
- To establish procedures to verify the bona-fide identification of individuals/ non-individuals' customers.
- To establish processes and procedures to monitor high value cash transactions and /or transactions of suspicious nature.
- To develop measures for conducting due diligence in respect of customers and reporting of such transactions.

**3. DEFINITIONS:**

Sr. No.	Terminology	Definition
1.	<b>Act and Rules</b>	The Prevention of Money Laundering Act, 2002 and Rules means the Prevention of Money-Laundering (Maintenance of records) Rules, 2005, as amended from time to time
2.	<b>AML</b>	Anti - Money Laundering
3.	<b>APP Form</b>	Application Form
4.	<b>Beneficial Owner</b>	Beneficial owner(BO) is the natural person(s), who, acts alone or together, or through one or more juridical persons and has/have a controlling ownership interest or who exercise control through other means. Threshold for "Controlling ownership interest" for purpose of determination of Beneficial Owner (BO) is 10% for both companies and trust. Exemption from identification of BO: i- Any listed entity, ii- Listed entity resident in jurisdictions notified by the Central Government iii- Subsidiary of listed entity mentioned in point ii, iv-
5.	<b>CIF</b>	Customer Information Form
6.	<b>Company</b>	Motilal Oswal Home Finance Limited (MOHFL)
7.	<b>Customer</b>	<ul style="list-style-type: none"> <li>• A person as defined under Section 2(31) of Income Tax Act, 1961 and includes any agency, office or branch owned or controlled by such persons.</li> <li>• A person or entity that maintains an account and/ or has a business relationship with the Company.</li> <li>• One on whose behalf the account is maintained (i.e. the beneficial owner);</li> <li>• Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Chartered Accountants, Company Secretaries, Solicitors etc. as permitted under the law, and</li> <li>• Any person or entity connected with a financial transaction which can pose significant reputation or other risks to the Company, say a wire transfer or issue of a high value demand draft as a single transaction.</li> </ul>
8.	<b>Central KYC Records Registry (CKYCR)</b>	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.

9.	<b>Customer Due Diligence (CDD)</b>	Means identifying and verifying the Customer and the Beneficial Owner.
10.	<b>Customer Identification</b>	Means undertaking the process of CDD.
11.	<b>Certified Copy</b>	<p>Obtaining a certified copy by the RE 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 RE as per the provisions contained in the Act.</p> <p>Provided that in case of Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs), as defined in Foreign Exchange Management (Deposit) Regulations, 2016 {FEMA 5(R)}, alternatively, the original certified copy, certified by any one of the following, may be obtained:</p> <ul style="list-style-type: none"> <li>• authorised officials of overseas branches of Scheduled Commercial Banks registered in India,</li> <li>• branches of overseas banks with whom Indian banks have relationships,</li> <li>• Notary Public abroad,</li> <li>• Court Magistrate,</li> <li>• Judge,</li> <li>• Indian Embassy/Consulate General in the country where the non-resident customer resides.</li> </ul>
12.	<b>Designated Director</b>	Means as defined under Rule 2 of the Prevention of Money-laundering (Maintenance of Records Rules), 2005.
13.	<b>Digital KYC</b>	Means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of MOHFL as per the provisions contained in the Act.
14.	<b>Digital Signature</b>	shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000 (21 of 2000).
15.	<b>Group</b>	The term "group" shall have the same meaning assigned to it in clause (e) of sub-section (9) of section 286 of the Income-tax Act,1961 (43 of 1961).
16.	<b>Equivalent e-document</b>	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.
17.	<b>Freeze lists/ Negative lists and Country lists</b>	These are the lists against which names/ locations of prospective Customers have to be screened before acceptance as Customer.
18.	<b>HFC</b>	Housing Finance Company
19.	<b>Intermediary</b>	"Intermediary" means a stock-broker, sub- broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992.
20.	<b>KYC</b>	Means the due diligence procedure prescribed by the regulator for identifying and verifying the proof of address, proof of identity and compliance with the rules, regulations, guidelines and circulars issued by the regulator or any other statutory authority under the act from time to time
21.	<b>KYC Templates</b>	Templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and Legal entities.
22.	<b>Non-face-to-face customers</b>	Customers who opens account without visiting the branch / offices of the HFC or meeting the officials of HFCs.
23.	<b>Regulator</b>	Means the National Housing Bank (NHB)/ The Securities and Exchange Board of India or such other person from whom the Company holds a certificate of registration to undertake its business activities.
24.	<b>Offline verification</b>	Means the process of verifying the identity of the Aadhaar number holder without authentication, through offline modes as may be specified by the Aadhaar regulations.



25.	<b>Officially Valid Document ("OVD")</b>	<p>Means the valid passport, the driving license, proof of possession of Aadhaar number in such form as are issued by the Unique Identification Authority of India, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed and stamped by an officer of the State Government, the letter issued by the National Population Register containing details of name, address or any other document as notified by the Central Government in consultation with the Regulator.</p> <p>In case of OVD furnished by the customer does not contain updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVD for limited purpose of proof of address: –</p> <ul style="list-style-type: none"> <li>(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);</li> <li>(b) Property or Municipal tax receipt;</li> <li>(c) Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;</li> <li>(d) 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</li> <li>(e) Documents issued by Government departments of foreign jurisdictions or letter issued by Foreign Embassy or Mission in India.</li> </ul> <p>Provided that the customer shall submit updated OVD with current address within a period of three months of submitting the above documents.</p>
26.	<b>On-going Due Diligence</b>	Regular monitoring of transactions in accounts to ensure that they are consistent with the customer's profile and source of funds.
27.	<b>Periodic Updation</b>	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 RBI.
28.	<b>Politically Exposed Persons (“PEP”)</b>	<p>Politically Exposed Persons are persons who are or have been entrusted with prominent public functions by a foreign country, including the Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, all important political party officials.</p> <p>Note: Sufficient information should be gathered on any person/Customer of this category intending to establish a relationship and diligently check the information available on the person in the public domain.</p>
29.	<b>Reputationally Exposed Person (“REP”)</b>	Reputationally Exposed Persons are individuals, other than Politically Exposed Persons, whose activities are otherwise considered to generate increased legal, reputational, operational or concentration risk. (The Customer will have to make a disclosure about any financial / criminal litigations pending against him or will be determined on the basis of Field Investigation report).
30.	<b>Senior Management</b>	The ‘Senior Management’ shall include Key Managerial Personnel as defined under the Companies Act, 2013 and Head of departments (HODs) or Functional Heads of the company.
31.	<b>Suspicious Transaction</b>	<p>means a “transaction” as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith: gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or</p> <p>(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</p> <p>(b) appears to be made in circumstances of unusual or unjustified complexity; or</p> <p>(c) appears to have no economic rationale or bonafide purpose.</p> <p>(d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.</p>

		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.
32.	<b>Transaction</b>	Purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes: (i) availing of a financial service offered by MOHFL; (ii) any payment made or received in whole or in part of any contractual or other legal obligation; (iii) establishing or creating a legal person or legal arrangement.
33.	<b>Video based Customer Identification Process (V-CIP)</b>	A method of customer identification by an official of MOHFL 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. Such process shall be treated as face-to-face process for the purpose of this Master Direction.

#### 4. CUSTOMER ACCEPTANCE POLICY (CAP)

MOHFL shall lay down a clear Customer Acceptance Policy with explicit criteria for acceptance of customers. The Customer Acceptance Policy shall ensure that explicit guidelines are in place on the following aspects of customer relationship in:

- i) No account to be opened in anonymous or fictitious/ benami name(s)
- ii) No account is opened where MOHFL 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.
- iii) No transaction or account-based relationship is undertaken without following the CDD procedure
- iv) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified
- v) Additional information where such information requirement has not been specified in the internal KYC Policy of the RE, shall be obtained with the explicit consent of the customer after the account is opened
- vi) CDD Procedure is followed for all the joint account holders, while opening a joint account.
- vii) If an existing KYC compliant customer of desires to open another account with us, there shall be no need for a fresh CDD exercise.

- viii) Circumstances in which, a customer is permitted to act on behalf of another person/ entity, is clearly spelt out.
- ix) 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 issued by UN Security Council circulated by National Housing Bank and the sanctions lists circulated by Reserve Bank of India from time to time and as indicated in Chapter IX of Master Direction- Know Your Customer (KYC) Direction, 2016.
- x) Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- xi) Where an equivalent e-document is obtained from the customer, RE shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
- xii) Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority

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

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

## 5. RISK PROFILE

MOHFL to devise a procedure for creating Risk Profiles of their new customers based on risk categorization. The Company shall categorize the customers according to the risk perceived to facilitate undertaking due diligence for the purpose of risk categorization. The customer profile shall contain amongst others information relating to the customer’s identity, social/ financial status, nature of business activity, information about the customers clients’ business and their location, geographical risk covering customers as well as transactions, type of products/services offered, delivery channel used for delivery of products/services, types of transaction undertaken – cash, cheque/monetary instruments, wire transfers, forex transactions etc. Further, the Company shall seek information from its customers which is relevant for the loan and is in conformity to the guidelines. The customers profile with the Company shall remain a confidential document and the information shall not be divulged for cross selling or any other purpose.

MOHFL shall categorize risk profile of individual customers into 3 (three) basic categories in order with the profile. The categories are as below:

Risk Category	Category of Customers
Low Risk	<ol style="list-style-type: none"> <li>1. Salaried Employee</li> <li>2. Self Employed Individuals</li> <li>3. Employees of Government Department &amp; Government Owned Companies</li> <li>4. Low Risk individuals are those individuals (other than high net worth) and the transactions in whose accounts by and large conform to known profile</li> </ol>

<b>Medium Risk</b>	<ol style="list-style-type: none"> <li>1. NGOs, Organizations receiving donations</li> <li>2. Trust/ Charities/ Societies (Registered Deeds)</li> </ol>
<b>High Risk</b>	<ol style="list-style-type: none"> <li>1. Politically Exposed Persons (PEP) and PEP of foreign origin</li> <li>2. High Net Worth Individuals having annual income greater than Rs. 50 lakhs</li> <li>3. Non-face to face customers</li> <li>4. Non-resident customers</li> <li>5. Persons with dubious reputation as per public information available</li> <li>6. Persons whose sources of income are not clear</li> <li>7. Geographical risk on property life and stability</li> <li>8. Self-employed dealing in bullion, gold trade (apart from jewellery), forex</li> </ol>

The Company shall subject accounts of such customers to intensive due diligence. In the event of an existing customer subsequently becoming a PEP, the Company shall obtain necessary approval of the Senior Management to continue the business relationship with such person and if in the affirmative than the Company to undertake enhanced monitoring at regular period/intervals.

The Company must undertake adequate steps to ensure that the implementation of this policy must not become too restrictive and must not result in denial of the Company's services to general public, especially to those, who are financially or socially disadvantaged.

## 6. CUSTOMER IDENTIFICATION PROCEDURE

The Company shall follow in letter and spirit the guidelines covered under Rule 9 of the Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, The Procedure and Manner of Maintaining and Time for Furnishing information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (hereinafter referred to as PML Rules).

Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information to the satisfaction of the Company. MOHFL will obtain sufficient information necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship.

In following cases identification should be done:

- Commencement of an account-based relationship with the customer.
- Carrying out any international money transfer operations for a person who is not an account holder of the bank.
- When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- Selling third party products as agents, selling their own products and any other product for more than rupees fifty thousand.

- 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.
- When a RE 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.
- MOHFL shall ensure that introduction is not to be sought while opening accounts.

For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, the Company shall at their **option**, rely on CDD done in internally and not outsourced. However optionally CDD by a third party can be considered, subject to the following conditions:

- A. Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.
- 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 Prevention of Money-Laundering Act.
- D. The third party shall not be based in a country or jurisdiction assessed as high risk.
- E. The ultimate responsibility for CDD, including done by a third party and undertaking enhanced due diligence measures, as applicable, shall rest with the company.

MOHFL may undertake live V-CIP, to be carried out by an official of the MOHFL, for establishment of an account based relationship with an individual customer, after obtaining his informed consent and shall adhere to the following stipulations:

- i. The official of the MOHFL performing the V-CIP shall record video as well as capture photograph of the customer present for identification and obtain the identification through Offline Verification of Aadhar.
- ii. MOHFL shall capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority.
- iii. Live location of the customer (Geotagging) shall be captured to ensure that customer is physically present in India.
- iv. The official of the MOHFL shall ensure that photograph of the customer in the Aadhaar/PAN details matches with the customer undertaking the V-CIP and the identification details in Aadhaar/PAN shall match with the details provided by the customer.
- v. The official of the MOHFL shall ensure that the sequence and/or type of questions during video interactions are varied in order to establish that the interactions are real-time and not pre-recorded.

- vi. In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than 3 working days from the date of carrying out V-CIP.
- vii. All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process. RE shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audiovisual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt. RE shall carry out the liveness check in order to guard against spoofing and such other fraudulent manipulations.
- viii. To ensure security, robustness and end to end encryption, the REs shall carry out software and security audit and validation of the V-CIP application before rolling it out.
- ix. The audio visual interaction shall be triggered from the domain of the RE itself, and not from third party service provider, if any. The V-CIP process shall be operated by officials specifically trained for this purpose. The activity log along with the credentials of the official performing the V-CIP shall be preserved.
- x. MOHFL shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp.
- xi. MOHFL are encouraged to take assistance of the latest available technology, including Artificial Intelligence (AI) and face matching technologies, to ensure the integrity of the process as well as the information furnished by the customer. However, the responsibility of customer identification shall rest with the MOHFL.
- xii. MOHFL shall ensure to redact or blackout the Aadhaar number in terms of Section 16.

## **7. CUSTOMER DUE DILIGENCE PROCEDURE (CDD Process)**

- 1) The true identity and bonafide of the existing customers and new potential customers opening accounts with the Company and obtaining basic background information would be of paramount importance.

The Company shall obtain sufficient identification data to verify:

- the identity of customer
- his/her address/location and
- his/her recent photograph.

- A. While undertaking CDD, MOHFL shall obtain the following information from an individual while establishing an account-based relationship with an 'individual' or dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:

(i) the Aadhaar number where he is desirous of receiving any benefit or subsidy under any scheme notified under Section 7 of the Aadhaar Act, or certified copy of an OVD or the equivalent e-document thereof as mentioned in the documentation norms for identity and address in Policy Operating Manual containing details of identity and address, and one recent

photograph, KYC identifier with an explicit consent to download records from CKYCR and;

(ii) the Permanent Account Number (PAN) or Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time.

(iii) such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as may be required by the RE

Explanation 1: Obtaining a certified copy by **the company** shall mean comparing the copy of above so produced by the client with the original and recording the same on the copy by the authorised officer of the Company.

Explanation 2: Where Aadhaar number is submitted by the customer, it should be ensured that such customer redact or blackout his / her Aadhaar number through appropriate means.

Explanation 3: The submission of Aadhaar by an individual as a KYC document in cases other than mentioned at (i) above cannot be insisted upon. However, the individual, if so desires, may provide the same out of his own volition. Customers, at their option, shall submit one of the above.

Explanation 4: Where the customer is submitting Aadhaar, **the company** shall be guided by Unique Identification Authority of India from time to time as mentioned below:

#### **Verification of Identity of Customers in case of Aadhaar**

Company shall verify the identity of customer by;

- a offline verification under the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016); or
- b an equivalent e-document of any OVD, the RE shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues thereunder and take a live photo as specified under Annex II.); or
- c any OVD or proof of possession of Aadhaar number under clause (ab) above where offline verification cannot be carried out, MOHFL shall carry out verification through digital KYC as specified under Annex II
- d use of any other officially valid document or modes of identification as may be notified by the Central Government in this behalf.
- e KYC Identifier to retrieve the KYC records online from the CKYCR

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



submitted.

KYC verification once done by one branch/office of MOHFL shall be valid for transfer of the account to any other branch/office of the same RE, provided full KYC verification has already been done for the concerned account and the same is not due for periodic updation.

Before verification company shall;

- a. obtain the consent of an individual,
- b. ensure that the demographic information or any other information collected from the individual for offline verification is only used for the purpose of such verification, and
- c. Not collect, use, or store an Aadhaar number or biometric information of any individual for any purpose,

Company shall inform the individual, the following details with respect to offline verification, namely: -

- a. the nature of information that may be shared upon offline verification;
  - b. the uses to which the information received during offline verification; and
  - c. alternatives to submission of information requested for, if any.
- B. In case the OVD furnished by the customer does not contain updated address, the following documents shall be deemed to be OVDs for the limited purpose of proof of address: -
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. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
  4. Letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation.

In case of foreign national, 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.

The customer shall submit updated OVD with current address within a period of **three months** of submitting the documents specified at above.

- C. A customer already having an account-based relationship with the company, shall submit his Permanent Account Number (PAN) or Form No.60, on such date as may be notified by the Central Government, failing which MOHFL may take measures to sensitize the customer to provide the PAN No. or Form No. 60 as applicable at the earliest, till the time the Permanent Account Number or Form No. 60 is submitted by the customer. Such measures may include

but not limited to increase in rate of interest and/or cease the release of balance loan amount if any.

Provided that before taking such measures, the company shall give the customer an accessible notice and a reasonable opportunity to be heard. For such loan accounts, for the purpose of ceasing the operation in the account, only credits shall be allowed. However, the company may consider relaxation for continued operation of account of customers who are unable to provide permanent account number or Form no 60 owing to injury, illness or infirmity on account of old age or otherwise, and such like causes.

- D. If a customer having an existing account-based relationship with gives in writing to the company that he/ she does not want to submit his/her Permanent Account Number or Form No.60, as the case may be, the customer's account with the Company shall be closed and all obligations due in relation to the account shall be appropriately settled after establishing the identity of the customer.

MOHFL shall duly inform the customer about this provision while opening the account.

(ii) In addition to the above, the Company must also ask the applicants to give an additional document e.g. a letter from the employer giving the correct address, Bank Statement, credit card statement etc.

(iii) In respect of NRI accounts, introduction and authentication/ verification of signatures shall be made by a bank/ Indian embassy/ High Commissioner/ Consulate/ Notary Public/ Persons known to the Company.

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

**1) Individuals**

- i. There must be a specific consent from the customer for authentication through OTP.
- ii. As a risk-mitigating measure for such accounts, REs shall ensure that transaction alerts, OTP, etc., are sent only to the mobile number of the customer registered with Aadhaar. A robust process of due diligence should be carried out for dealing with requests for change of mobile number in such accounts.
- iii. The aggregate balance of all the deposit accounts of the customer shall not exceed rupees one lakh. In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD as mentioned at (v) below is complete.
- iv. The aggregate of all credits in a financial year, in all the deposit accounts taken together, shall not exceed rupees two lakh.

- v. As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.
- vi. Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year within which identification as per Section 16 is to be carried out.
- vii. If the CDD procedure as mentioned above is not completed within a year, in respect of deposit accounts, the same shall be closed immediately. In respect of borrowal accounts no further debits shall be allowed.
- viii. A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in non-face-to-face mode with any other companies. Further, while uploading KYC information to CKYCR, REs 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 in non-face-to-face mode.
- ix. REs 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.

## 2) Accounts of Legal Persons or Entities

(i) The Company must verify the legal status of the legal person/ entity through proper and relevant documents as per **Annexure I**.

(ii) The Company must verify the identity of any person purporting to act on behalf of the legal person/entity and whether he/ she is so authorized and understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person.

(iii) In case of client accounts opened by a professional intermediary the Company shall not only identify the client / beneficial owner but also satisfy itself that the intermediary is regulated and supervised and has adequately system in place to comply with KYC norms.

(iv) In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, adequate care must be taken to mitigate the higher risk involved. Certification of all the documents presented must be insisted upon and, if necessary, additional documents may be called for.

Also in such cases, the company shall ensure that the first payment is to be effected through the customer's KYC-complied account.

(v) For various types of non-individual the documents stated against their names in KYC Checklist/ Policy for KYC and any other documents/ introduction that the Company feels necessary to comply with KYC guidelines shall be obtained for identification.

## 8. MONITORING OF TRANSACTIONS:

The Company must pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. The Company must also have

understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity in order to effectively control and reduce the risk. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should be noted and must be reported to the Corporate Office.

High-risk accounts have to be subjected to intensified monitoring. The Company will put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures. The Company will ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the Prevention of Money Laundering Act (PML) Act, 2002. It may also be ensured that transactions of suspicious nature and/or any other type of transaction notified under section 12 of the PML Act, 2002, is reported to the appropriate law enforcement authority, within the stipulated time frame.

The Company must ensure that proper records of all cash transactions of Rs. 10 lakhs (Rupees Ten Lakhs) and above. The branches must report such transactions and other transactions of suspicious nature to the Corporate Office of the Company on a fortnightly basis.

The cash transactions to be monitored in the following manner:

The transactions involving cash withdrawals and/ or cash deposits for Rs.10 lacs and above or Rupee equivalent in Foreign Currency in deposit or loan accounts as well as all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds Rupees ten lakh; to be monitored closely by the branches and the record of details of such transactions to be kept in separate register and must be reported to the Principal Officer.

Suspicious Transactions means a transaction whether or not made in cash which, to a person acting in good faith-

- gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- appears to be made in circumstances of unusual or unjustified complexity; or
- Appears to have no economic rationale or bonafide purpose.

## **8A. MONEY LAUNDERING AND TERRORIST FINANCING RISK ASSESSMENT**

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

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

(b) The risk assessment by the RE shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of the RE. Further, the periodicity of risk assessment exercise shall be determined by the Board of the RE, in alignment with the outcome of the risk assessment exercise. However, it should be reviewed at least annually.

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

REs shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and should have Board approved policies, controls and procedures in this regard. Further, REs shall monitor the implementation of the controls and enhance them if necessary.

## **9. RISK MANAGEMENT AND ON GOING DUE DILIGENCE**

MOHFL 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) High account turnover inconsistent with the size of the balance maintained.
- (d) Deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

For ongoing due diligence, MOHFL may adopt appropriate innovations including artificial intelligence and machine learning (AI & ML) technologies to support effective monitoring.

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

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

Explanation: Cases where a large number of cheque books are sought by the company and/or multiple small deposits (generally in cash) across the country in one bank account and/or where a large number of cheques are issued bearing similar amounts/dates, shall be immediately reported to Reserve Bank of India and other appropriate authorities such as FIU-IND.

The Company shall envisage having an ongoing employee training programme so that the members of the staff are adequately trained in KYC procedures. Training requirements shall have different focuses for frontline staff, compliance staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them consistently and effectively.

## **10. PERIODIC UPDATION**

Periodic KYC 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 as per the following procedure:

1. MOHFL shall obtain PAN of the customers as applicable.
2. MOHFL shall obtain applicable address proof of the customer.
3. In case identification information available with Aadhaar does not contain current address an OVD containing current address may be obtained.
4. Certified copy/digitally verified OVD containing identity and address shall be obtained at the time of periodic updation from individuals except those who are categorized as 'low risk'. In case of low risk customers when there is no change in status with respect to identities and addresses, self-certification to that effect shall be obtained.
5. In case of Individual Customers:
  - i. No change in KYC information: In case of no change in the KYC information MOHFL shall obtain, a self-declaration from the customer in this regard through customer's registered email-id, customer's registered mobile number, digital channels (such as mobile application or digital mode) and letter etc.
  - ii. Change in address: In case of a change only in the address details of the customer MOHFL shall obtain, a self-declaration from the customer for new address through customer's registered email-id, customer's registered mobile number, digital channels (such as mobile application or digital mode) and letter etc., and for declared address MOHFL shall obtain a copy of OVD OR deemed OVD for the purpose of proof of address as declared by the customer OR shall verify through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables etc.
  - iii. Aadhaar OTP based e-KYC may be used for periodic Updation and conditions mentioned above in policy are not applicable in case of accounts opened in non-face to face mode. Declaration of current address, if the current address is different from the address in Aadhaar, shall not require positive confirmation in this case.

6. Further, MOHFL may obtain a copy of OVD or deemed OVD for the purpose of proof of address, declared by the customer at the time of periodic updation.
7. In case of Legal Entities (LE):
  - i) No change in KYC information: In case of no change in the KYC information MOHFL shall obtain, a self-declaration from the customer in this regard through customer's registered email-id, customer's registered mobile number, digital channels (such as mobile application or digital mode) and letter from an official authorized by the LE in this regard, board resolution. Further, MOHFL shall ensure during this process that Beneficial Ownership (BO) information available with them is accurate and shall update the same, if required, to keep it as up-to-date as possible.
  - ii) Change in KYC information: In case of change in KYC information, MOHFL shall undertake the KYC process equivalent to that applicable for on-boarding a new LE customer.
8. MOHFL 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.
9. Further at the time of periodic updation, in case the validity of the KYC documents available with MOHFL has expired, then MOHFL shall undertake the KYC process equivalent to that applicable for on-boarding a new customer.
10. The time limits prescribed above would apply from the date of opening of the account's last verification of KYC.
11. In order to comply with the PML Rules, in case of any update in the documents submitted by the customer at the time of establishment of business relationship / account-based relationship and thereafter as necessary, customers shall submit the updated document within 30 days of the update to the documents for the purpose of updating the records.

## **11. MAINTENANCE OF TRANSACTIONS**

MOHFL shall introduce a system of Maintenance of records & a consolidated record for all the branches taken together at the registered office of the Company, of the transactions (nature & value), in such form & for such period as specified under the Rule 3 of Prevention of Money- laundering (Maintenance Records) Rules, as mentioned below:

1. all cash transactions of the value of more than Rupees Ten lacs or its equivalent in foreign currency.

2. all series of cash transactions integrally connected to each other which have been valued below Rupees Ten lacs or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds Rupees Ten lacs;
3. all transactions involving receipts by non-profit organizations of Rupees Ten lacs or its equivalent in foreign currency;
4. 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 or a document has taken place facilitating the transactions; and
5. all suspicious transactions whether or not made in cash and by way of as mentioned in the Rule 3(1) (D).
  - i. It shall maintain all necessary information in respect of transactions prescribed under Rule 3 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, to permit reconstruction of individual transaction, including the following:
    - a) The nature of the transactions
    - b) The amount of the transaction & the currency in which it was denominated
    - c) The date on which the transaction was conducted., and
    - d) The parties to the transaction.

MOHFL should take appropriate steps to evolve a system for proper maintenance and preservation of information in a manner (in hard/soft copies) that allows information to be retrieved easily and quickly whenever required or requested by the competent authorities

## **12. INTRODUCTION OF NEW TECHNOLOGIES**

MOHFL shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products and undertake the risk assessments prior to the launch or use of such products, practices, services and technologies; and take appropriate measures to manage and mitigate the risks.

## **13. COMPLIANCE WITH KYC/AML POLICY THROUGH SENIOR MANAGEMENT**

- (a) MOHFL shall ensure compliance with KYC Policy through:
  - (i) Allocation of responsibility for effective implementation of policies and procedures.



- 
- (ii) Independent evaluation of the compliance functions of REs' policies and procedures, including legal and regulatory requirements.
  - (iii) Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures.
  - (iv) Submission of quarterly audit notes and compliance to the Audit Committee.

MOHFL shall ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

#### **14. APPOINTMENT OF DESIGNATED DIRECTOR**

MOHFL shall appoint 'Designated Director' who will be responsible for overall compliance with the obligation imposed under Chapter IV of the PML Act and name, designation, contact details, address of the Designated Director shall be communicated to the FIU-IND and RBI.

#### **15. APPOINTMENT OF PRINCIPAL OFFICER**

MOHFL shall appoint 'Principal Officer' who will be responsible for reporting all transactions and sharing of information and name, designation, contact details, address of the Principal Officer shall be communicated to the FIU-IND and RBI. He/ She will also be responsible to ensure that proper steps are taken to fix accountability for serious lapses and intentional contraventions of the KYC guidelines.

#### **16. RECORDS TO CONTAIN THE SPECIFIED INFORMATION**

MOHFL shall ensure that the records referred in Rule 3 of the PML Rules contain the following information:

- 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.

#### **17. MAINTENANCE AND PRESERVATION OF RECORDS**

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

- (a) maintain all necessary records of transactions between the RE 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 swiftly 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) 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;
  - (f) 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.

**Explanation:** Records pertaining to the identification", "identification records", etc., shall include updated records of the identification data, account files, business correspondence and results of any analysis undertaken.

#### **18. FURNISHING OF INFORMATION TO THE DIRECTOR, FINANCIAL INTELLIGENCE UNIT - INDIA (FIU-IND):**

- (i) In terms of the provisions of the Rule 8 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005. The Company shall, inter-alia, furnish to the Director, FIU-IND, within such time and in such form, the information in respect of transactions as referred under sub-rule (1) of rule 3 of the said Rules.
- (ii) A copy of information furnished shall be retained by the 'Principal Officer' for the purposes of official record.

The Company must strictly comply with all formalities including timely submission of all applicable report and returns in the prescribed format with regards to cash & suspicious transaction qualifying under PML Rules directly to FIU-IND through the designated Principal Officer(s) of the Company, there is no need for submission of NIL reports.

Further, the Company and its employees shall maintain strict confidentiality of the fact of furnishing/reporting details.

---

## **19. REPORTING REQUIREMENT UNDER FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA) AND COMMON REPORTING STANDARDS (CRS)**

**Institution as defined in Income Tax Rule 114F and if so, shall take following steps for complying with the reporting requirements**

1. 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.
2. Submit online reports by using the digital signature of the 'Designated Director' by either uploading the Form 61 B or 'NIL' report, for which, the schema prepared by Central Board of Direct Taxes (CBDT) shall be referred to.

Explanation – HFCs shall refer to the spot reference rates published by Foreign Exchange Dealers' Association of India (FEDAI) on their website at <http://wwwfedai.org.in/RevaluationRates.aspx> for carrying out the due diligence procedure for the purposes of identifying reportable accounts in terms of Rule 114H of Income Tax Rules.

3. Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H of Income Tax Rules.
4. Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules.
5. Constitute a "High Level Monitoring Committee" under the Designated Director or any other equivalent functionary to ensure compliance.
6. 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.
7. In addition to the above, other United Nations Security Council Resolutions (UNSCRs) circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time to time shall also be taken note of.

### **OTHER RESPECTIVE MEASURES:**

## **20. REQUIREMENTS/OBLIGATIONS UNDER INTERNATIONAL AGREEMENTS COMMUNICATIONS FROM INTERNATIONAL AGENCIES**

1. Obligations under the Unlawful Activities (Prevention) (UAPA) Act, 1967-United Nation Security Council (UNSC) approved Sanctions Lists i.e. ISIL (Da'esh) & Al-Qaida & Taliban Sanctions List and lists as available in the Schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, shall be verified on

- a daily basis and any modifications to the lists in terms of additions, deletions or other changes shall be taken into account for meticulous compliance.
2. Details of accounts resembling any of the individuals/entities in the lists shall be reported to FIU-IND along with Ministry of Home Affairs (MHA).
  3. Obligations under Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005: Designated list specified under Section 12A of WMD and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 available on the portal of FIU-India shall be verified on a daily basis and at the time of login.
  4. If such cases are observed, immediate intimation with details of the funds, financial assets or economic resources will be made to Central Nodal Officer, State Nodal Officer & Reserve Bank of India. MOHFL shall file STR with FIU India covering all transactions in the cases covered above carried through or attempted.
  5. Company shall verify every day, the 'UNSCR 1718 Sanctions List of Designated Individuals and Entities, as available at <https://www.mea.gov.in/Implementation-of-UNSC-Sanctions-DPRK.htm>, to take into account any modifications to the list in terms of additions, deletions or other changes and also ensure compliance with the 'Implementation of Security Council Resolution on Democratic People's Republic of Korea Order, 2017', as amended from time to time by the Central Government.
  6. Company shall leverage latest technological innovations and tools for effective implementation of name screening to meet the sanctions requirements.

## **21. SECRECY OBLIGATIONS AND SHARING OF INFORMATION:**

- i. The Company shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the lender and customer details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.
- ii. While considering the requests for data/information from Government and other agencies, 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 transactions.
- iii. 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 Company requires disclosure and
  - iv. Where the disclosure is made with the express or implied consent of the customer.

## **22. 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 authorized the Central Registry of Securitization 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. MOHFL is required to upload the Know Your Customer (KYC) data with CERSAI in respect of new

individual accounts opened on or after April 01, 2017 with CERSAI in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005. Company can undertake CDD process through KYC Identifier with an explicit consent to download records from CKYCR. However, KYC documents downloaded from the CKYCR, but whose validity has lapsed, shall not be used for KYC purpose.

### **23. HIRING OF EMPLOYEES & EMPLOYEE TRAINING:**

1. Adequate screening mechanism as an integral part of their personnel recruitment/hiring process should be put in place.
2. Staff dealing with / being deployed for KYC/AML/CFT matters have high integrity and ethical standards, good understanding of extant KYC/AML/CFT standards, effective communication skills and ability to keep up with the changing KYC/AML/CFT landscape, nationally and internationally. An environment which fosters open communication and high integrity amongst the staff should be developed.
3. On-going employee training programme should be put in place so that the members of staff are adequately trained in KYC/ AML Measures policy. The focus of the training should be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff should be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in KYC/ AML Measures policies of MOHFL, regulation and related issues should be ensured.

### **24. UNIQUE CUSTOMER IDENTIFICATION CODE (UCIC)**

MOHFL shall allot a Unique Customer Identification Code (UCIC) while entering into new relationships with individual customers as also the existing customers.

MOHFL 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.

### **25. SELLING THIRD PARTY PRODUCTS**

MOHFL acting as agents while selling third party products shall comply with the applicable laws/regulations, including system capabilities for capturing, generating and analyzing alerts for the purpose of filing CTR/STR in respect of transactions relating to third party products with customers.

### **26. REVIEW/REVISION OF POLICY**

If at any point a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities (“Regulatory Provisions”) arises, then interpretation of the Regulatory

Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions. The Board and/or its Committee reserve(s) the right to alter, modify, add, delete or amend any of the provisions of the Policy.

**LIST OF DOCUMENTS ACCEPTED AS PROOF OF IDENTITY, PROOF OF ADDRESS AND SIGNATURE PROOF**

Sr. No.	Customer Type and Documents Required
1.	<p><b>Resident Individuals</b></p> <p>A. Permanent Account Number (with photo and signature) or Form 60</p> <p><u>One certified copy of an Officially Valid Document (OVD”) containing details of his/ her identity for Legal name, and any other names used and address:</u></p> <ul style="list-style-type: none"> <li>i) Proof of possession of Aadhaar number in such form as are issued by the Unique Identification Authority of India*</li> <li>ii) Valid Indian Passport (with photo and signature)</li> <li>iii) Valid Voter’s ID card issued by the Election Commission of India</li> <li>iv) Valid Permanent Driving License (with photo and signature)</li> <li>v) Job card issued by NREGA duly signed by an officer of the State Government</li> <li>vi) Letter issued by the National Population Register containing details of name and address</li> </ul> <p>* Where Aadhaar number is submitted by the customer, it should be ensured that such customer redact or blackout his / her Aadhaar number through appropriate means</p> <p>In case of OVD furnished by the customer does not contain updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVD for limited purpose of proof of address: –</p> <ul style="list-style-type: none"> <li>a) Monthly Utility bill which is not more than two months old of any service provider (power/electricity bill/receipt, telephone bill, post-paid mobile bill/receipt, piped gas bill/receipt/valid gas cylinder blue book/cylinder delivery receipt, water distribution bill/receipt);</li> <li>b) Property or Municipal tax receipt/bill, Annual Receipt also acceptable;</li> <li>c) Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;</li> <li>d) 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</li> <li>e) Documents issued by Government departments of foreign jurisdictions or letter issued by Foreign Embassy or Mission in India.</li> </ul>

Provided that the customer shall submit updated OVD with current address within a period of three months of submitting the above documents.

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 OVD 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.

Following documents as ID Proof may be obtained in addition to any OVD subject to the satisfaction of the Company:

- (i.) Valid Photo Ration Card
- (ii.) Valid Photo ID Card of Professional Councils, Government/PSU
- (iii.) Valid Arms license issued by Central / State government / Union Territory with Name, Photograph and signature (Identity Proof)
- (iv.) Valid ID cards issued by Central or State government body / Semi government body such as ESIC card issued by State Government etc.
- (v.) Letter issued by the National Population Register containing name & address

Following documents as Address Proof may be obtained in addition to any OVD, subject to the satisfaction of the Company:

- (i.) Post Office Savings Pass Book bearing the account holder's address with entries of at least one month or fifteen entries from the preceding 3 calendar months from the date of AOF. (Any one calendar month out of preceding last three months)
- (ii.) Bank Passbook/Latest Bank Account Statement (First page showing complete address, in case of pass book) of any Schedule Commercial Bank.
- (iii.) Municipal tax receipt/ Property Tax receipt with address mentioned (Not older than 2 months & showing consumption).
- (iv.) Housing Society bill, Electricity bill, Water Tax challan, Land Line Telephone bill /Wire Less Landline Connection, Gas Connection Bill/Mobile phone bill (Not older than 2 months & showing consumption) with full address mentioned.
- (v.) Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address.
- (vi.) Letter of allotment of accommodation from employer issued by State Government/ Central Government, Statutory/Regulatory bodies public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation.
- (vii.) Residential certificate issued by Municipal Corporation/Local government Bodies etc. confirming address of the applicant.



	<p>(viii.) Original Letter from Employer (Central/State Govt. Depts./bodies/Defence Dept. or Public Sector Units/Banks) certifying the residential address of applicant. The letter should be either on letterhead or issued under office seal/ stamp and signed by the Head/ officer in charge. Signature of the employee has to be attested on the letter.</p> <p>(ix.) Copy of valid Rent Agreement/ leave or lease and license agreement in the borrower's name, along with electricity bill/property tax receipt/water bill/registered property document in the name of land lord / owner. Utility bill should not be more than 2 months old from date of login.</p> <p>(x.) Registered Property document</p> <p>(xi.) Valid Ration Card mentioning the name and address of the borrower</p> <p>(xii.) Letter issued by the National Population Register containing name &amp; address</p> <p>(xiii.) Latest (not more than 15 months old) premium receipt of Life Insurance. If the premium receipt is more than 12 months old, renewal advice from the insurance company is mandatory.</p> <p>Provided that the customer shall submit updated OVD with current address within a period of three months of submitting the above documents.</p> <p><u>C) One recent passport size photograph except in case of transactions referred to in Rule 9(1)(b) of the PML rules</u></p> <p><u>D) Signature Proof: Any of the following documents should be collected as Signature Proof</u></p> <p>a) Valid Indian Passport  b) Valid PAN card  c) Valid Permanent Driving license  d) Bankers Signature Verification.  e) Valid Ration Card with signature  f) Copy of registered sale deed bearing signature of the applicant / co applicant / guarantor as the case may be  g) In case of non-Income holder, if any signature proof not available, Attendance sheet which is part of loan agreement (Proper filled with signature)  h) Thumb impression- Left thumb for male and Right thumb for female, with notarization  (Forms part of loan agreement)</p>
<p>2.</p>	<p><b>Non-Resident Individual</b>  (For non-face-to-face NRI Customers- The documents shall be taken as per the NRI grid. However, the procedure given under Customer Identification procedure has to be followed)</p> <p><u>A) One recent passport size photograph</u></p> <p><u>B) Mandatory Documents</u></p>

	<p>a) Attested photocopy of the relevant pages of prospective Customer’s current passport where his/her name, address, date of birth, date &amp; place of issue, expiry date, photograph, signature &amp; stamp regarding stay outside India appear</p> <p>b) Photocopy of valid work permit / employment visa (in case of expired visas, duly acknowledged petitions made to the Visa authorities for renewal visas will be accepted as a valid document)</p> <p><u>C) Address in India</u></p> <p>a) Address proof to be collected as per the list of documents given above for resident individual</p> <p>b) Letter from employer (subject to satisfaction of the Company)</p> <p>In case of OVD furnished does not contain the details of address, in such case the documents issued by the Government department of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address. However, the customer shall submit updated OVD with current address within a period of three months of submitting the above documents.</p> <p><u>D) Overseas address</u></p> <p>a) Any two government issued documents with your overseas address</p> <p>b) Latest utility bill (telephone/electricity bill) supported by a lease rental agreement (If bill is in Landlord's name) OR an employer's confirmation and the employment contract (if bill is in the employer's name)</p> <p>c) Overseas Insurance Policy/ Any Medical Insurance Card carrying name and current address</p> <p>d) Three consecutive statements of an account with another bank/credit card company (including latest statement) in the place of domicile</p> <p><u>E) Signature Proof</u></p> <p>As per the list of documents given for resident individuals above</p>
<p>3.</p>	<p>For opening accounts of juridical persons not specifically covered in the earlier part, such as Government or its Departments, societies, universities and local bodies like village panchayats, or who purports to act on behalf of such juridical person or individual or trust one certified copy of the following documents shall be obtained:</p> <p>a.) Document showing name of the person authorised to act on behalf of the entity;</p> <p>b.) PAN</p> <p>c.) OVD for proof of identity and address in respect of the person holding an attorney to transact on its behalf and</p> <p>d.) Such documents as may be required by the HFC to establish the legal existence of such an entity/ juridical person</p>

**(Detailed KYC Checklist is illustrated in the attached document Annexure 1A)**

**LIST OF DOCUMENTS ACCEPTED AS PROOF OF IDENTITY, PROOF OF ADDRESS:**

<b>Entity</b>	<b>Identity Proof</b>	<b>Address Proof</b>	
Company/ LLP	PAN Card	Utility Bill in name of company not more than 2 months old	
	TAN	TAN	
	Certificate of incorporation	Certificate of incorporation	
	Memorandum and Articles of Association	Memorandum and Articles of Association	
	Certificate/license issued by the municipal authorities under Shop and Establishment Act	Valid Shops & Establishment Certificate	
	Names of the relevant persons holding senior management position		Valid Trade License
			GST Registration Certificate
			Registered office address and principal place of its business, if it is different from Registered office address
			Sales Tax Registration Certificate
			TIN Certificate
			Importer-Exporter Code Certificate
			Valid Professional Tax Registration Certificate
			Valid APMC/Mandi License / Certificate
			Valid Labour License/Certificate
			Valid Drug License
			Valid Registration Certificate issued by Excise & Customs Department
			Valid License/Certificate to Sell/Stock/Exhibit for Sale or Distribute Insecticide/Pesticide
Registration Certificate issued under Weight & Measurement Act			
Consent to Operate document issued by State/Central Pollution Control Board			
Certificate Issued by SEZ (Special Economic Zone)			
	Certificate/License issued by Indian Medical Council		
	License issued by Food and Drug Control		

		<p>Authorities</p> <p>Trade License in the name of entity</p> <p>Factory Registration Certificate in the name of entity</p> <p>License issued under Explosive Act in the name of Firm</p> <p>Certificate issued by Municipal Corporation</p> <p>Certificate issued by Local Self Government Bodies</p> <p>SSI/MSME/Udhoyog/Udhyam Aadhar Certificate</p>
Partnership Firm	<p>PAN Card</p> <p>TAN Certificate</p> <p>Certificate of Registration issued by Registrar of Firms</p> <p>Certificate/license issued by the municipal authorities under Shop and Establishment Act</p> <p>Registered Partnership Deed</p> <p>Names of all the Partners</p>	<p>TAN Certificate</p> <p>Certificate for registration issued by Registrar of Firms.</p> <p>Valid Shops &amp; Establishment Certificate</p> <p>Valid Trade License</p> <p>GST Registration Certificate,</p> <p>Sales Tax Registration Certificate</p> <p>Registered office address and principal place of its business, if it is different from Registered office address</p> <p>TIN Certificate</p> <p>Importer-Exporter Code Certificate</p> <p>Valid Professional Tax Registration Certificate</p> <p>Valid APMC/Mandi License/ Certificate</p> <p>Valid Labour License/Certificate</p> <p>Valid Drug License</p> <p>Valid Registration Certificate issued by Excise &amp; Customs Department</p> <p>Valid License/Certificate to Sell/Stock/Exhibit for Sale or Distribute Insecticide/Pesticide</p> <p>Registration Certificate issued under Weight &amp; Measurement Act</p> <p>Consent to Operate document issued by State/Central Pollution Control Board</p> <p>Certificate Issued by SEZ (Special Economic Zone)</p>

		Certificate/License issued by Indian Medical Council
		License issued by Food and Drug Control Authorities
		Trade License in the name of entity
		Factory Registration Certificate in the name of entity
		License issued under Explosive Act in the name of Firm
		Certificate issued by Municipal Corporation
		Certificate issued by Local Self Government Bodies
		SSI/MSME/Udhoyog/Udhyam Aadhar Certificate
Sole Proprietorship Firm	PAN Card of Proprietor/Proprietorship Firm	TAN Certificate
	TAN Certificate	Valid Shops & Establishment Certificate
	Valid Shops & Establishment Certificate	TIN Certificate
	TIN Certificate	Valid Trade License
	Valid Trade License	GST Registration Certificate
	GST Registration Certificate	Sales Tax Registration Certificate
	Sales Tax Registration Certificate	Importer-Exporter Code Certificate
	Importer-Exporter Code Certificate	Valid Professional Tax Registration Certificate
	Valid Professional Tax Registration Certificate	Valid APMC/Mandi License/Certificate
	Valid APMC/Mandi License/Certificate	Valid Labour License/Certificate
	Valid Labour License/Certificate	Valid Drug License
	Valid Drug License	Valid Registration Certificate issued by Excise & Customs Department.
	Valid Registration Certificate issued by Excise & Customs Department.	Valid License/Certificate to Sell/Stock/Exhibit for Sale or Distribute Insecticide/Pesticide
Valid License/Certificate to Sell/Stock/Exhibit for Sale or Distribute Insecticide/Pesticide	Registration Certificate issued under Weight & Measurement Act	
Registration Certificate issued under Weight & Measurement	Consent to Operate document issued by State/Central Pollution Control Board	

Act	
Consent to Operate document issued by State/Central Pollution Control Board	Certificate Issued by SEZ (Special Economic Zone)
Certificate Issued by SEZ (Special Economic Zone)	License issued by Food and Drug Control Authorities
License issued by Food and Drug Control Authorities	Trade License in the name of entity
Trade License in the name of entity	Factory Registration Certificate in the name of entity
Factory Registration Certificate in the name of entity	License issued under Explosive Act in the name of Firm
License issued under Explosive Act in the name of Firm	Certificate issued by Municipal Corporation
Certificate issued by Municipal Corporation	Certificate issued by Local Self Government Bodies
Certificate issued by Local Self Government Bodies	Sales Tax Registration Certificate
SSI/MSME/Udhoyog/Udhya m Aadhar Certificate	

**(Detailed KYC Checklist is illustrated in the attached document Annexure 1B)**

**Digital KYC Process**

A. MOHFL shall develop an application for digital KYC process which shall be made available at customer touch points for undertaking KYC of their customers and the KYC process shall be undertaken only through this authenticated application of MOHFL.

B. The access of the Application shall be controlled by MOHFL and it should be ensured that the same is not used by unauthorized persons. The Application shall be accessed only through login-id and password or Live OTP or Time OTP controlled mechanism given by MOHFL to its authorized officials.

C. The customer, for the purpose of KYC, shall visit the location of the authorized official of MOHFL or vice-versa. The original OVD shall be in possession of the customer.

D. MOHFL must ensure that the Live photograph of the customer is taken by the authorized officer and the same photograph is embedded in the Customer Application Form (CAF). Further, the system Application of the RE shall put a water-mark in readable form having CAF number, GPS coordinates, authorized official's name, unique employee Code (assigned by REs) and Date (DD:MM: YYYY) and time stamp (HH:MM: SS) on the captured live photograph of the customer.

E. The Application of MOHFL shall have the feature that only live photograph of the customer is captured and no printed or video-graphed photograph of the customer is captured. The background behind the customer while capturing live photograph should be of white colour and no other person shall come into the frame while capturing the live photograph of the customer.

F. Similarly, the live photograph of the original OVD or proof of possession of Aadhaar where offline verification cannot be carried out (placed horizontally), shall be captured vertically from above and water-marking in readable form as mentioned above shall be done. No skew or tilt in the mobile device shall be there while capturing the live photograph of the original documents.

G. The live photograph of the customer and his original documents shall be captured in proper light so that they are clearly readable and identifiable.

H. Thereafter, all the entries in the CAF shall be filled as per the documents and information furnished by the customer. In those documents where Quick Response (QR) code is available, such details can be auto-populated by scanning the QR code instead of manual filing the details. For example, in case of physical Aadhaar/e-Aadhaar downloaded from UIDAI where QR code is available, the details like name, gender, date of birth and address can be auto-populated by scanning the QR available on Aadhaar/e-Aadhaar.

I. Once the above mentioned process is completed, a One Time Password (OTP) message containing the text that 'Please verify the details filled in form before sharing OTP' shall be sent to customer's own mobile number. Upon successful validation of the OTP, it will be treated as customer signature on CAF. However, if the customer does not have his/her own mobile number, then mobile number of his/her family/relatives/known persons may be used for this purpose and be clearly mentioned in CAF. In any case, the mobile number of authorized officer registered with MOHFL shall not be used for customer signature. MOHFL must check that the mobile number used in customer signature shall not be the mobile number of the authorized officer.

J. The authorized officer shall provide a declaration about the capturing of the live photograph of customer and the original document. For this purpose, the authorized official shall be verified with One Time Password (OTP) which will be sent to his mobile number registered with MOHFL. Upon successful OTP validation, it shall be treated as authorized officer's signature on the declaration. The live photograph of the authorized official shall also be captured in this authorized officer's declaration.

K. Subsequent to all these activities, the Application shall give information about the completion of the process and submission of activation request to activation officer of MOHFL, and also generate the transaction-id/reference-id number of the process. The authorized officer shall intimate the details regarding transaction-id/reference-id number to customer for future reference.

L. The authorized officer of MOHFL shall check and verify that: - (i) information available in the picture of document is matching with the information entered by authorized officer in CAF. (ii) live photograph of the customer matches with the photo available in the document.; and (iii) all of the necessary details in CAF including mandatory field are filled properly.;

M. On Successful verification, the CAF shall be digitally signed by authorized officer of the RE who will take a print of CAF, get signatures/thumb-impression of customer at appropriate place, then scan and upload the same in system. Original hard copy may be returned to the customer.