



IVL Finance Ltd

## **POLICY ON 'KNOW YOUR CUSTOMER' (KYC) AND ANTI-MONEY LAUNDERING (AML) MEASURES**

**(Reviewed and Approved by the Board as on 25/04/2017)**

### **'Know Your Customer' Guidelines**

The objective of 'Know Your Customer (KYC) Guidelines' is for IVLFL to know/understand its customers and their financial dealings and help the company to manage its risks prudently; It is also to prevent IVL FL (hereinafter referred to as the Company) from being used, intentionally or unintentionally, by criminal elements for money laundering/antinational activities.

IVL FL's KYC policy has the following four key elements:

- (i) Customer Acceptance Policy;
- (ii) Customer Identification Procedure;
- (iii) Monitoring of Transactions; and
- (iv) Risk management.

### **2. KEY WORDS:**

Customer/Client

- a person or entity that maintains or is desirous of maintaining an account and/or has a business relationship with IVL FL;
- one on whose behalf an account is maintained (i.e. the beneficial owner);
- beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors, etc. as permitted under the law, and
- any person or entity connected with a financial transaction which can pose significant reputational or other risks to the IVL FL, say, a wire transfer or issue of a high value demand draft as a single transaction.

**"Non-face-to-face customers"** means customers who open accounts without visiting the branch/offices of IVLFL or meeting the officials of IVLFL.

A "transaction" means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes-

- (i) opening of an account for the purpose of availing a loan/ having a financial arrangement;
- (ii) deposits, 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;
- (iii) entering into any fiduciary relationship;

- (iv) any payment made or received in whole or in part of any contractual or other legal obligation;
- (v) any payment made in respect of playing games of chance for cash or kind including such activities associated with casino; and
- (vi) establishing or creating a legal person or legal arrangement.

A "Suspicious transaction" means a "transaction" as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith,:

- a. gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- b. appears to be made in circumstances of unusual or unjustified complexity; or
- c. appears to not have economic rationale or bona-fide purpose; or
- d. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

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

**APPLICABILITY:**

It may be noted that KYC – AML policy as stated in this document shall prevail over any thing else contained in any other document / process/circular/letter/instruction in this regard (KYC-AML). This policy shall be applicable to all verticals/products of the Company whether existing or rolled out in future .

**Officially valid document (OVD)** is defined to mean any one of the following : the passport, the driving license, the Permanent Account Number (PAN) Card, the Voter's Identity Card issued by Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government, the letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number or any other document which may be specified by Government/ Regulator . No other document will be accepted as OVD for ID proof. An OVD having record of present address if submitted by a client, he/she shall not be insisted for additional address proof, provided he resides in the address as mentioned in the OVD . However, for customers belonging to priority sector/affordable housing sector category, Election photo identity card and driving license shall also be treated as OVD for identity/address proof and ration card as address proof."

**Periodical Updation of KYC documents:** Based on the risk profile of a client, clients shall be asked to update his/her KYC documents periodically.

Full KYC exercise will be required to be done

- a) at least every two years for high risk individuals and entities.
- b) at least every eight years for medium risk individuals and entities
- c) at least every ten years for low risk and

taking in to account whether and when client due diligence measures have previously been undertaken and the adequacy of data obtained. Physical presence of the clients may, however, not be insisted upon at the time of such periodic updations.

- d) Fresh photographs will be required to be obtained from minor customer on becoming major.

It is the duty of the client to advise immediately any change of his registered address. In case a client is found not residing in his recorded address, he/she shall be asked to submit updated KYC documents along with current address proof at the earliest.

**Paperless KYC verification** To reduce the risk of identity fraud, document forgery and have paperless KYC verification, IVL FL has decided to accept UIDAI's e-KYC service as a valid process for KYC verification. The information containing demographic details and photographs made available by UIDAI as a result of e-KYC process can be treated as an OVD. While using e-KYC services, the individual has to authorise IVL FL by explicit consent to release his/her identity and address through biometric authentication. Then, UIDAI transfers the data of the individual (name, age, gender and photo) electronically to our systems. IVL FL should endeavour to have proper infrastructure in place to enable this authentication as soon as possible.

### **Customer Acceptance Policy**

3. The Customer Acceptance Policy of IVL FL is aimed at ensuring that explicit guidelines are in place on the following aspects of customer relationship in the IVL FL:-

- (i) No account is opened in anonymous or fictitious/benami name(s);
- (ii) Parameters of risk perception are clearly defined in terms of the location of customer and his clients and mode of payments, volume of turnover, social and financial status, etc. to enable categorization of customers into low, medium and high risk. These parameters will be defined by RMC and reviewed periodically.
- (iii) Documentation requirements and other information which is to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of Prevention of Money Laundering Act 2002 as amended by PMLA 2009 and subsequent amendments, (hereinafter referred to as PMLA), rules framed there under and guidelines issued from time to time by regulators;
- (iv) Not to open an account or close an existing account where the company is unable to apply appropriate customer due diligence measures, i.e. the company is unable to verify the identity and /or obtain documents required as per the risk categorisation due to non co-operation of the customer or non reliability of the data/information furnished.
- (v) Circumstances, in which a customer is permitted to act on behalf of another person/entity, should be in conformity with the established law and practices, and the customer should be able to explain satisfactorily the reason/ occasion why an account is required to be operated by a mandate holder or where an account may be opened by an intermediary in a fiduciary capacity; and
- (vi) Necessary checks before opening a new account so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.

4. A profile is required to be prepared for each new customer based on risk categorization. The customer profile may contain information relating to the customer's identity, social/financial status, nature of business activity, information about his clients' business and their location, etc. The nature and extent of due diligence will depend on the risk perceived. While preparing customer profile the care is to be taken to seek only such information which is relevant to the risk category and is not intrusive. Any other information from the customer should be sought separately with his/her

consent and after opening the account. The customer profile is a confidential document and details contained therein shall not be divulged for cross selling or any other purposes.

5. For the purpose of risk categorization, individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, are to be categorized as low risk. Illustrative examples of low risk customers could be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover, Government departments & Government owned companies, regulators and statutory bodies, etc. In such cases, only the basic requirements of verifying the identity and location of the customer are to be met.

6. Customers that are likely to pose a higher than average risk may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc. In such cases enhanced due diligence measures are required to be applied based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear. Examples of customers requiring higher due diligence may include

- (a) non-resident customers,
- (b) high net worth individuals,
- (c) trusts, charities, NGOs and organizations receiving donations,
- (d) companies having close family shareholding or beneficial ownership,
- (e) firms with 'sleeping partners',
- (f) politically exposed persons (PEPs) of foreign origin,
- (g) non-face to face customers, and
- (h) those with dubious reputation as per public information available, etc.

As regards the accounts of PEPs it is advised that in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, the Company would obtain senior management approval in such cases to continue the business relationship with such person, and also undertake enhanced monitoring as specified in Annexure – I .

7. It is important to bear in mind that the adoption of Customer Acceptance Policy and its implementation should 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.

#### **Customer Identification Procedure**

8. Customer identification means identifying the customer and verifying his/ her identity by using prescribed documents, data or information.

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), requires the Company to:

- (a) at the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship, and
- (b) in all other cases, verify identity while carrying out :
  - (i) transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or
  - (ii) any international money transfer operations.

In terms of proviso to rule 9 of the PML Rules, the relaxation, in verifying the identity of the client within a reasonable time after opening the account/ execution of the transaction, stands withdrawn. Also, as directed in Rule 9 the officials shall identify the beneficial owner and take all reasonable steps to verify his identity. As required in this Rule the officials have to exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the customer, his business and risk profile.

Therefore, the Customer Identification Policy approved by the Board has to be strictly adhered to at different stages, i.e. while establishing a relationship; carrying out a financial transaction or when the Company has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

9. The Company needs to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship. Rule 9 of the PML Rules and RBI and RBI directives provide for the documents/information to be obtained for identifying various types of customers i.e. individuals, companies, partnership firms, trusts, unincorporated association or a body of individuals and juridical persons. All staff and officials of IVL FL are advised to take note of the provisions of the above rule and ensure compliance.

Customer identification requirements keeping in view the provisions of the said rule are given in **Annex-I** for guidance of the officials.

10. An list of the nature and type of documents/information that may be relied upon for customer identification is given in the **Annex-II**. Officials have to follow these guidelines based on their experience of dealing with such persons/entities, normal prudence and the legal requirements as prescribed here and as amended from time to time by regulators and laws.

- In addition to the due diligence requirements, under KYC norms, IVL FL is required by law to obtain Permanent Account Number (PAN) or General Index Register (GIR) Number or alternatively declaration in Form No. 60 or 61 as specified under the Income Tax Act / Rules.

**IVL FL branches may also accept e-Aadhaar downloaded from UIDAI website as an OVD subject to following :-**

- **If the prospective customer knows his/her Aadhaar number, the branch may print the prospective customer's e-Aadhaar letter from UIDAI portal or adopt e-KYC procedure.**
- **If the customer carries a copy of the e-Aadhaar downloaded elsewhere, the branch may print the prospective customer's e-Aadhaar letter from UIDAI portal or adopt e-KYC.**
- **Physical Aadhaar card/letter issued by UIDAI containing details of name, address received through post will continue to be accepted as an OVD.**

### **Monitoring of Transactions**

11. Ongoing monitoring is an essential element of effective KYC procedures. The officials have to effectively control and reduce the risk by having an 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. However, the extent of monitoring will depend on the risk sensitivity of each account. Officials should pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. The Company may prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions which exceed these limits. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract the attention of the officials. Very high account turnover inconsistent with the means of the customer may indicate that funds are being 'washed' through/into the account. High-risk accounts have to be subjected to intensified monitoring. The Company should put in place a system of periodical review of risk categorization of accounts and the apply enhanced due diligence measures wherever required.

### **Risk Management**

12. The aim of this policy is to ensure that an effective KYC programme is in place by establishing appropriate procedures and ensuring their effective implementation. Officials involved with day to day functioning and interaction with the clients including those at administrative offices supervising them need to have proper management oversight, systems and controls, segregation of duties, training and other related matters to ensure statutory compliance with the KYC program. Responsibility should be explicitly allocated within the Company for ensuring that the policies and procedures are implemented effectively. The RMC may devise procedures/finalise parameters for creating Risk Profiles of their existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.

13. The Company's internal audit and compliance functions should periodically evaluate the level of adherence to the KYC policies and procedures. The compliance function and audit function together should provide an independent evaluation of the effectiveness of KYC policies and procedures, including legal and regulatory requirements. Concurrent/ Internal Auditors should specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard may be put up before the Audit Committee of the Board

at quarterly intervals. The company should fix accountability for serious lapses and intentional circumvention of prescribed procedures and guidelines.

14. The Company shall ensure ongoing 'employee training programme' so that the members of the staff are adequately trained in KYC procedures and AML guidelines. Training requirements should have different focus 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 and AML policies and implement them consistently.

#### **Customer Education**

15. Implementation of KYC procedures requires the company to demand certain information from customers which may be of personal nature or which have hitherto never been called for. This can sometimes lead to questioning by the customer as to the motive and purpose of collecting such information. There is, therefore, a need for the company to prepare specific literature/pamphlets/notices, etc. so as to educate the customer about the objective of the KYC programme. The front desk staff needs to be specially trained to handle such situations while dealing with customers.

#### **Introduction of New Technologies**

16. The Company officials have to be aware of any money laundering threats that may arise from new or developing technologies including on-line transactions that might favour anonymity, and take measures, if needed, to prevent their use in money laundering schemes.

#### **Applicability to branches and subsidiaries outside India**

17. The above guidelines also apply to the branches and offices and subsidiaries located abroad, especially, in countries which do not or insufficiently apply the FATF Recommendations, to the extent local laws permit. If local applicable laws and regulations prohibit implementation of these guidelines, the same should be brought to the notice of National Housing Bank and RBI.

#### **Appointment of Principal Officer**

18. Reserve Bank vide DNBS (PD) CC.NO.378/03.10.42/2014-15 dated May 29, 2014, has advised NBFCs to nominate a Designated Director for ensuring compliance with the obligations under the PML Act. Designated Director" means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes –

(i) the Managing Director or a whole-time Director duly authorized by the Board of Directors if the reporting entity is a company.

The Company shall appoint a senior management officer, as 'Principal Officer'. The name of the Designated Director and the Principal Officer so designated, his designation and address including changes from time to time, have to be advised to the Director, FIU-IND and also to RBI. Principal Officer shall be located at the head/corporate office of the IVL FL and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He will maintain close liaison with enforcement agencies, regulators and any other institution which is involved in the fight against money laundering and combating financing of terrorism.

### **Maintenance of records of transactions**

19. The company's system of maintaining proper record of transactions is in conformity with the requirement under section 12 of the PMLA read with Rule 3 of the PML Rules, as mentioned below:

- (i) all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- (ii) all series of cash transactions integrally connected to each other which have been **individually** valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month **and the monthly aggregate exceeds rupees ten lakhs or its equivalent in foreign currency**
- (iii) all transactions involving receipts by non-profit organizations of rupees ten lakhs or its equivalent in foreign currency;
- (iv) All Cash transactions (in terms of Rule 3 (c)) where forged or counterfeit currency notes or bank notes has been used as genuine or where any forgery of valuable security or a document has taken place facilitating the transactions, had to be reported by the 15th day of the succeeding month.
- (v) all suspicious transactions whether or not made in cash and by way of as mentioned in the Rule 3(1) (D).

20. The branches have to maintain proper record of all cash transactions (deposits and withdrawals) of Rs.10 lakh and above. Such transactions and those of suspicious nature whether made in cash or otherwise, need to be reported to controlling/head office on a fortnightly basis or extracted as a report from the central database.

### **Records to contain the specified information**

21. Records referred to above in para 20 as per Rule 3 of the PMLA Rules to contain the following information:-

- (i) the nature of the transactions;
- (ii) the amount of the transaction and the currency in which it was denominated;
- (iii) the date on which the transaction was conducted; and
- (iv) the parties to the transaction.

### **Maintenance and Preservation of records**

22. Section 12 of PMLA requires to maintain records as under:

- (a) records of all transactions referred to in clause (a) of Sub-section (1) of section 12 read with Rule 3 of the PML Rules is required to be maintained for a period of ten years from the date of last transaction and closure of the account of the customer
- (b) records of the identity of all clients of the IVL FL is required to be maintained for a period of ten years from the date of cessation of transactions between the clients and the IVL FL.
- (c) Other records not related to identity of clients or records of transaction are to be preserved for at least for five years from the date of the record.

- (d) For destruction of records, each department shall maintain register under the custody of Sr Management officer of the department concern for maintaining records of destruction and name of the approving officers for such destruction.

The Company should take appropriate steps to evolve a system for proper maintenance and preservation of information in a manner ( in hard and soft copies) that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. The Company has to maintain records of the identity of clients, and records in respect of transactions with its client referred to in rule 3 in hard or soft format.

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

23. As required in Section 12 of PMLA the company has to report information of transaction referred to in clause (a) of sub-section (1) of section 12 read with Rule 3 of the PML Rules relating to cash and suspicious transactions etc. to the Director, Financial Intelligence Unit-India (FIU-IND). The proviso to the said section also provides that where the principal officer of a IVL FL has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued below the prescribed value to so to defeat the provisions of this section, such officer shall furnish information in respect of such transactions to the Director within the prescribed time.

24. The information has to be furnished at the following address by the Principal Officer of the IVLFL :

**Director, FIU-IND,  
Financial Intelligence Unit-India,  
6<sup>th</sup> Floor, Hotel Samrat,  
Chanakyapuri,  
New Delhi-110021.**

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

25. (a) The information in respect of the transactions referred to in clause(A), (B) and (BA) of sub-rule (1) of rule 3 of the PML Rules ( i.e. clauses (i) , (ii) and (iii) referred to in Paragraph 19 supra) is to be submitted to the Director every month by the 15th day of the succeeding month.

(b) The information in respect of the transactions referred to in clause(C) of sub-rule (1) of rule 3 of the PML Rules ( i.e. clause(iv) in Paragraph 19 supra) is to be furnished promptly to the Director in writing, or by fax or by electronic mail not later than seven working days from the date of occurrence of such transaction.

(c) The information in respect of the transactions referred to in clause(D) of sub-rule (1) of rule 3 of the PML Rules ( i.e. clause(v) in Paragraph 19 supra) is to be furnished promptly to the Director in writing, or by fax or by electronic mail not later than seven working days on being satisfied that transaction is suspicious.

Provided the company and its employees maintain strict confidentiality of the fact of furnishing/ reporting details of suspicious transactions.

It has to be noted that in terms of Rule 8, while furnishing of information to the Director FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a misrepresented transaction beyond the time limit as specified in this rule shall constitute a separate violation.

26. As advised by the FIU-IND, New Delhi the Company need not submit 'NIL' reports in case there are no Cash/Suspicious Transactions, during a particular period.

27. The required information is to be furnished by the Company directly to the FIU-IND, through the Principal Officer designated by the IVL FL under the Prevention of Money Laundering Act, 2002.

**Central KYC Records Registry (CKYCR) - and reporting requirements under Foreign Account Tax Compliance Act (FATCA)/ Common Reporting Standards (CRS)**

As directed by RBI vide their circular no. RBI/2015-16/251:DBR.AML.BC.No.60 /14.01.001/2015-16 dated November 26, 2015, compliance with the Government notification dated July 7, 2015 (amending the Prevention of Money Laundering (Maintenance of Records) Rules, 2005) needs to be ensured.

In compliance with RBI directive, the Company shall keep the KYC data ready in digital format in the templates advised by RBI of all our existing clients. The Loan Application forms of Retail and Commercial Credit clients may be revised, if required, to capture the data of clients in RBI prescribed template in future. The existing clients be contacted to fill up the gaps if any. The KYC data will be shared with CKYCR as and when advised by RBI/NHB.

2. The company shall also take all steps to comply with the FATCA and CRS reporting requirements, as advised by NHB, RBI and Government of India from time to time.

**General**

28. In short the KYC and AML policy of the company is to ensure that the provisions of PML, Rules framed thereunder and the Foreign Contribution and Regulation Act, 1976, wherever applicable, are adhered to strictly.

29. Where the Company is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, IVL FL may consider closing the account or terminating the business relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decisions need to be taken at a reasonably senior level.

The Company may rely on third party verification subject to conditions at (a) to (e) of as stated below:

For the purpose of identifying and verifying the identity of customers at the time of commencement of an account-based relationship, reporting entity may rely on a third party verification subject to the conditions that-

(a) the reporting entity immediately obtains necessary information of such client due diligence carried out by the third party;

(b) the reporting entity takes 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;

(c) the reporting entity is satisfied 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;

(d) the third party is not based in a country or jurisdiction assessed as high risk; and

(e) the reporting entity is ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable.

Procedure for determining beneficial owner :

Where the client is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means. Explanation.- For the purpose of this sub-clause-

1. "Controlling ownership interest" means ownership of or entitlement to more than twenty-five percent of shares or capital or profits of the company;

2. "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements; (b) where the client 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 ownership of/entitlement to more than fifteen percent of capital or profits of the partnership;

(c) where the client 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 ownership of or entitlement to more than fifteen percent of the property or capital or profits of such association or body of individuals;

(d) where no natural person is identified under (a) or (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official(e) where the client is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with fifteen percent 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; and

(f) where the client 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.

## **Annex-I**

### **CUSTOMER IDENTIFICATION REQUIREMENTS**

#### **INDICATIVE GUIDELINES**

##### **Trust/Nominee or Fiduciary Accounts**

1. There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. Officials should determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, Officials may insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. While opening an account for a trust, Officials should take reasonable precautions to verify the identity of the trustees and the settlors of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries should be identified when they are defined. In the case of a 'foundation', steps should be taken to verify the founder managers/directors and the beneficiaries, if defined. If the Official decides to accept such accounts in terms of the Customer Acceptance Policy, the IVL FL should take reasonable measures to identify the beneficial owner(s) and verify his/her/their identity in a manner so that it is satisfied that it knows who the beneficial owner(s) is/are.

##### **Accounts of companies and firms**

2. Officials need to be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with the Company. Officials should verify the legal status of the legal person/entity through proper and relevant documents. Official should verify that any person purporting to act on behalf of the legal/ juridical person/entity is so authorized and identify and verify the identity of that person. Officials should examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perception, e.g. in the case of a public company it will not be necessary to identify all the shareholders.

##### **Client accounts opened by professional intermediaries**

3. When the Official has knowledge or reason to believe that the client account opened by a professional intermediary is on behalf of a single client, that client must be identified. Officials may hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. Where the Officials rely on the 'customer due diligence' (CDD) done by an intermediary, they should satisfy themselves that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements. It should be understood that the ultimate responsibility for knowing the customer lies with the Company.

#### **Accounts of Politically Exposed Persons (PEPs) resident outside India**

4. Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. Officials should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. Officials should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The decision to open an account for PEP should be taken at a senior level. Officials should also subject such accounts to enhanced monitoring on an ongoing basis. The above norms may also be applied to the accounts of the family members or close relatives of PEPs.

#### **Accounts of non-face-to-face customers**

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

## Annex-II

### CUSTOMER IDENTIFICATION PROCEDURE

#### FEATURES TO BE VERIFIED AND DOCUMENTS THAT MAY BE OBTAINED FROM CUSTOMERS

Features	Documents (Certified copy)
<b>Individuals</b>	<p>Proof of Identity and Address required at the time opening an account of an individual.</p> <p>Any one document from the Officially Valid Document (OVD) is only allowed. They are: the passport, the driving license, the Permanent Account Number (PAN) Card, the Voter's Identity Card issued by Election Commission of India, the letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number or any other document which may be specified by Government/ Regulator . No other document will be accepted as OVD for ID proof.</p> <p>In view of the change in the definition of 'Officially Valid Documents,' henceforth, only the documents mentioned in the revised PML Rules would be accepted for opening accounts of individuals. The Company does not have any discretion to accept any other document for this purpose.</p> <p>It is implied that proof of address also follows from the above documents &amp; includes following :</p> <ol style="list-style-type: none"><li>1. Letter from a recognized public authority or public servant verifying the identity and residence of the applicant/s.</li><li>2. - Utility bill, which is not more than 60 days old, of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill)</li><li>3. Notarised Rent agreement on stamp Paper (with / without registration) atleast 6 months old with latest land lord utility bill ( not to be older than 60 days from login)</li><li>4. Savings Bank Statements (scheduled bank) showing name &amp; address of borrowers bearing bank stamp.</li><li>5. Sale Deed of the property, if owned.</li><li>6. Residence Address Certificate issued by employer on company letterhead</li></ol>

	<p>Where a customer categorised as low risk expresses inability to complete the documentation requirements on account of any reason that the IVL FL considers to be genuine, and where it is essential not to interrupt the normal conduct of business, the Company may complete the verification of identity within a period of six months from the date of establishment of the relationship</p>
<p><b>Companies</b></p>	<p>a) Certificate of incorporation;  b) Memorandum and Articles of Association;  c) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; and</p> <p>Identity Proof ::</p> <ol style="list-style-type: none"> <li>1. Shops &amp; Establishment Certificate</li> <li>2. Trade License Certificate</li> <li>3. SSI Registration Certificate</li> <li>4. PAN Card/Sales Tax/ VAT Registration Certificate</li> <li>5. Export-Import Code Certificate/Factory Registration Certificate</li> <li>6. Professional qualification Certificate/Degree/License for Professionals</li> </ol> <p>Address Proof ::</p> <ol style="list-style-type: none"> <li>1. Shops &amp; Establishment Certificate/ Trade License Certificate /SSI Registration Certificate/</li> <li>2. Sales Tax/ VAT Registration Certificate/Partnership Deed (for firms) /</li> <li>3. Export-Import Code Certificate /</li> <li>4. Factory Registration Certificate</li> <li>5. Current Bank Statements (scheduled bank) showing name &amp; address of entity bearing bank stamp.</li> <li>6. Utility bill showing address of company ( Electricity/Water bill) in name of entity (not to be older than 90 days from login date)</li> <li>7. Registered rent agreement and landline telephone bills in the name of the entity.</li> </ol>
<p><b>Partnership Firms</b></p>	<p>Constitution documents  a) Registration certificate;  b) Partnership deed; and</p>

	<p>c) An officially valid document in respect of the person holding an attorney to transact on its behalf.</p> <p>Identity Proof ::</p> <ol style="list-style-type: none"> <li>1. Shops &amp; Establishment Certificate</li> <li>2. Trade License Certificate</li> <li>3. SSI Registration Certificate</li> <li>4. PAN Card/Sales Tax/ VAT Registration Certificate</li> <li>5. Export-Import Code Certificate/Factory Registration Certificate</li> <li>6. Professional qualification Certificate/Degree/License for Professionals</li> </ol> <p>Address Proof ::</p> <ol style="list-style-type: none"> <li>1. Shops &amp; Establishment Certificate/ Trade License Certificate /SSI Registration Certificate/</li> <li>2. Sales Tax/ VAT Registration Certificate/Partnership Deed (for firms) /</li> <li>3. Export-Import Code Certificate /</li> <li>4. Factory Registration Certificate</li> <li>5. Current Bank Statements (scheduled bank) showing name &amp; address of entity bearing bank stamp.</li> <li>6. Utility bill showing address of company ( Electricity/Water bill) in name of entity (not to be older than 90 days from login date)</li> <li>7. Registered rent agreement and landline telephone bills in the name of the entity.</li> </ol>
<b>Trusts &amp; Foundations</b>	<ol style="list-style-type: none"> <li>a) Registration certificate;</li> <li>b) Trust deed; and</li> <li>c) An officially valid document in respect of the person holding an attorney to transact on its behalf.</li> </ol>
<b>Unincorporated association or a body of individuals</b>	<ol style="list-style-type: none"> <li>a) Resolution of the managing body of such association or body of individuals;</li> <li>b) Power of attorney granted to him to transact on its behalf;</li> <li>c) An officially valid document in respect of the person holding an attorney to transact on its behalf; and</li> <li>d) Such information as may be required by the Company to collectively establish the legal existence of such an association or body of individuals.</li> </ol>

## **II. ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO BUILDER/PROJECT LOANS:**

- a. Builder approaching the IVL FL for a small loan compared to the total cost of the project;
- b. Builder is unable to explain the sources of funding for the project;
- c. Approvals/sanctions from various authorities are proved to be fake;

## **III. ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO HOUSING LOANS:**

- a. Customer is reluctant to provide information, data, documents;
- b. Submission of false documents, data, purpose of loan, details of accounts;
- c. Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc;
- d. Reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons;
- e. Approaches a branch/office of a IVL FL, which is away from the customer's residential or business address provided in the loan application, when there is IVL FL branch/office nearer to the given address;
- f. Unable to explain or satisfy the numerous transfers in the statement of account/ multiple accounts;
- g. Initial contribution made through unrelated third party accounts without proper justification;
- h. Availing a top-up loan and/or equity loan, without proper justification of the end use of the loan amount;
- i. Suggesting dubious means for the sanction of loan;
- j. Where transactions do not make economic sense;
- k. There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
- l. Encashment of loan amount by opening a fictitious bank account;
- m. Applying for a loan knowing fully well that the property/dwelling unit to be financed has been funded earlier and that the same is outstanding;
- n. Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase;
- o. Multiple funding of the same property/dwelling unit;
- p. Request for payment made in favour of a third party who has no relation to the transaction;
- q. Usage of loan amount by the customer in connivance with the vendor/builder/developer/broker/agent etc. and using the same for a purpose other than what has been stipulated.
- r. Multiple funding / financing involving NGO / Charitable Organisation / Small / Medium Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFGs)
- s. Frequent requests for change of address;
- t. Overpayment of instalments with a request to refund the overpaid amount.