

SRG HOUSING FINANCE LIMITED



KYC &AML/CFT POLICY

1. INTRODUCTION

As part of the best corporate practices, SRG Housing Finance Limited ("the Company") has adopted "Policy on Know Your Customer (KYC) guidelines and Anti Money Laundering (AML) Standards" for lending/ credit/ operations/ financial dealings, in line with the extant guidelines framed by Reserve Bank of India ("RBI") with reference to the Prevention of Money-Laundering Act, 2002 (PMLA) and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (PMLR), as amended from time to time.

Accordingly, all extant & future master circulars/directions/guidelines/guidance notes issued by National Housing Bank (NHB) and Reserve Bank of India (RBI) from time to time would be the directing force for the KYC Policy of SRGHFL and will super cede the contents of this KYC Policy.

2. OBJECTIVES OF POLICY

- a. To lay down explicit criteria for acceptance of customers;
- b. To establish procedures to verify the bona-fide identification of individuals/ non individuals' customers;
- c. To establish processes and procedures to monitor high value cash transactions and /or transactions of suspicious nature;
- d. To develop measures for conducting due diligence in respect of customers & reporting of such transactions;
- e. To manage the risk.

3. DEFINITIONS

- i. **"Aadhaar number"** means an identification number as defined under clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, henceforth the 'Aadhaar Act' as amended from time to time, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force.
- ii. **"Act"** and **"Rules"** means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto including any statutory modification(s) or re-enactment(s) thereof, for the time being in force.
- iii. **"Authentication"**, in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar Act, 2016 as amended from time to time, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force.
- iv. **Beneficial Owner (BO)** means:
 - (a) Where the **customer is a company**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have a controlling ownership interest or who exercise control through other means.

Explanation - For the purpose of this sub-clause:

- "Controlling ownership interest" means ownership of/entitlement to more than 10% of the shares or capital or profits of the company.
- "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

(b) Where the **customer is a partnership firm**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 10% of capital or profits of the partnership or who exercises control through other means.

Explanation – For the purpose of this sub-clause, “control” shall include the right to control the management or policy decision.

(c) Where the **customer is an unincorporated association or body of individuals**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15% of the property or capital or profits of the unincorporated association or body of individuals.

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

(d) Where the **customer is a trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 10% 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.

v. “Certified Copy” - Obtaining a certified copy by the SRGHFL 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 SRGHFL as per the provisions contained in the Act.

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:

- authorised officials of overseas branches of Scheduled Commercial Banks registered in India,
- branches of overseas banks with whom Indian banks have relationships, Notary Public abroad,
- Court Magistrate,
- Judge,

- Indian Embassy/Consulate General in the country where the non-resident customer resides
- vi. **"Cash Transactions"** means all cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency as defined under rule 3 of the Rules.
 - vii. **"Central KYC Records Registry" (CKYCR)** means an entity to receive, store, safeguard and retrieve the KYC records in digital form of a customer as defined under Rule 2(1) of the Rules.
 - viii. **"Customer"** means a 'person', as defined below, who is engaged in a financial transaction or activity with a HFC and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
 - ix. **"Customer Due Diligence" (CDD)** means identifying and verifying the customer and the beneficial owner using reliable and independent sources of identification.

Explanation – The CDD, at the time of commencement of an account-based relationship or while carrying out occasional 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 any international money transfer operations, shall include:

- a. Identification of the customer, verification of their identity using reliable and independent sources of identification, obtaining information on the purpose and intended nature of the business relationship, where applicable;
 - b. Taking reasonable steps to understand the nature of the customer's business, and its ownership and control;
 - c. Determining whether a customer is acting on behalf of a beneficial owner, and identifying the beneficial owner and taking all steps to verify the identity of the beneficial owner, using reliable and independent sources of identification.
- x. **"Customer Identification"** means undertaking the process of CDD.
 - xi. **"Designated Director"** means a person designated by SRGHFL to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include person designated by the SRGHFL to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include: the Managing Director, duly authorized by the Board of Directors.
 - xii. **"Digital KYC"** 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 authorized officer of the SRGHFL as per the provisions contained in the Act.
 - xiii. **"Equivalent e-document"** means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents

issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016 (as amended from time to time, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force).

- xiv. **"FATCA"** means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.
- xv. **"KYC identifiers"** means unique number or code assigned to a customer by the Central KYC Records Registry.
- xvi. **"KYC Templates"** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
- xvii. **"Non-face-to-face customers"** means customers who open accounts without visiting the branch/ offices of the HFC or meeting the officials of HFC.
- xviii. **"Officially Valid Document" (OVD)** means the passport, the driving license, proof of possession of Aadhaar number, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address. Provided that,
 - a) where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India (UIDAI).
 - b) where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents there of shall be deemed to be OVDs for the limited purpose of proof of address:-
 - utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
 - property or Municipal tax receipt;
 - pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
 - 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 license agreements with such employers allotting official accommodation;
 - c) the customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'b' above;
 - d) where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of

foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

Explanation: For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name

- xix. **"Offline verification"** shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016).
- xx. **"On-going Due Diligence"** means regular monitoring of transactions in accounts to ensure that those are consistent with SRGHFL's knowledge about the customers, the customers' business and risk profile, the source of funds/ wealth.
- xxi. **"Periodic Updation"** means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the National Housing Bank.
- xxii. **"Person"** has the same meaning as defined in the Act and includes:
(a) an individual,
(b) a Hindu undivided family,
(c) a company,
(d) a firm,
(e) an association of persons or a body of individuals, whether incorporated or not,
(f) every artificial juridical person, not falling within anyone of the above persons (a to e), and
(g) any agency, office or branch owned or controlled by any of the above persons (a to f).
- xxiii. **"Principal Officer"** means an officer at the management level nominated by SRGHFL, responsible for furnishing information as per rule 8 of the Rules.
- xxiv. **"Suspicious Transaction"** means "Suspicious Transaction" as defined under rule 2(g) of the Rules - suspicious transaction" means a 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 have no economic rationale or bonafide 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.]

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

xxv. **"Video based Customer Identification Process (V-CIP)"**: method of customer identification by an official of SRGHFL 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.

xxvi. **"Walk-in Customer"**: means a person who does not have an account-based relationship with SRGHFL, but undertakes transactions with SRGHFL

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1935, the Prevention of Money Laundering Act, 2002, the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 and regulations made thereunder, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

KEY ELEMENTS

4. KYC AML/CFT procedures enable the Company to know/understand its customers and their financial dealings better which in turn help manage risks prudently. The policy has the following key elements:

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

5. A. Money Laundering and Terrorist Financing Risk Assessment

- a. SRGHFL 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, SRGHFL shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with SRGHFL from time to time.

- b. The risk assessment carried out shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of the SRGHFL. Further, the periodicity of risk assessment exercise shall be determined by the Board or any committee of the Board of the SRGHFL to which power in this regard has been delegated, 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.

5B. SRGHFL shall apply a Risk Based Approach (RBA) for mitigation and management of the risks (identified on their own or through national risk assessment) and should have Board approved policies, controls and procedures in this regard. SRGHFL shall implement a CDD programme, having regard to the ML/TF risks identified and the size of business. Further, the Company shall monitor the implementation of the controls and enhance them if necessary.

6. Designated Director:

- a) A "Designated Director" means a person designated by the SRGHFL to ensure overall compliance with the obligations imposed under Chapter IV of PML Act and nominated by the Board of SRGHFL.
- b) The name, designation and address of the Designated Director shall be communicated to FIU-IND and also to the Reserve Bank of India.
- c) In no case, the 'Principal Officer' shall be nominated as the 'Designated Director'.

7. Principal Officer:

- a) Company shall appoint a "Principal Officer" (preferably of the management level).
- b) The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations.
- c) The name, designation and address of the Principal Officer, including changes from time to time, shall be communicated to the Director, Financial Intelligence Unit - India (FIU-IND) and also to the Reserve Bank of India.

8. Compliance of KYC policy:

Company shall ensure compliance with KYC Policy through:

- a) Specifying as to what constitutes 'Senior Management' for the purpose of KYC compliance.
- b) Allocation of responsibility for effective implementation of policies and procedures.
- c) Independent evaluation of the compliance functions of Company's policies and procedures, including legal and regulatory requirements.
- d) Concurrent/internal audit system to verify the compliance with KYC/ Anti-Money Laundering (AML) policies and procedures.
- e) Submission of quarterly audit notes and compliance to the Audit Committee.

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

CUSTOMER IDENTIFICATION PROCEDURE (CIP):

9. 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. Company shall undertake identification of customers in the following cases:

- a) Commencement of an account-based relationship with the customer.
- b) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- c) Selling third party products as agents, selling their own products and any other product for more than rupees fifty thousand.
- d) carrying out transactions for a non-account-based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
- e) when SRGHFL 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.

The true identity and bona-fide 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 will obtain sufficient identification data to verify:

- i. The identity of customer
- ii. his/her address/location and
- iii. his/her recent photograph.

SRG Housing Finance Limited needs to obtain information necessary to establish, the identity of new customers.

10. For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, Company, shall at their option, rely on Customer Due Diligence done by a third party, subject to the following conditions:

- a) Records or the information of the customer due diligence carried out by the third party is obtained immediately from the third party or from the Central KYC Records Registry.
- b) Adequate steps are taken by 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 Customer Due Diligence, including done by a third party and undertaking enhanced due diligence measures, as applicable, shall rest with SRG Housing Finance Limited.

Officially Valid Document (OVD) Means:

- 1) The Passport,
- 2) The Driving License,
- 3) The PAN Card,
- 4) The Voter identity Card issue by the Election Commission of India.
- 5) Job card issued by NREGA duly signed by an officer of State Government,
- 6) Letter issued by the UIDAI containing the details of name, address and Aadhaar No.,
- 7) Any other document as notified by the Central Government in consultation with regulator.

CUSTOMER ACCEPTANCE POLICY (CAP):

11. SRGHFL's Customer Acceptance policy (**CAP**) lays down the criteria for acceptance of customers. The guidelines in respect of the customer relationship in the Company broadly are:

- i. No loan account is to be opened in anonymous or fictitious/ benami name(s).
- ii. No account is opened where the SRGHFL 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. The SRGHFL shall consider filing an STR, if necessary, when it is unable to comply with the relevant CDD measures in relation to 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. Parameters of risk perception are clearly defined in terms of the location of customer and his clients and mode of payment, volume of turnover, social and financial status, etc. to enable categorization of customer into low, medium and high risk.
- vi. Clients-authenticity of his business will be checked through his genuine clients. Documentation requirements and other information will be collected in respect of different categories of customers depending on perceived risk and guidelines issued from time to time;
- vii. where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- viii. The Volume of turnover of the customer if he is into business would be checked from his /her company's balance sheets for three consecutive years.
- ix. where an equivalent e-document is obtained from the customer, SRGHFL shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
- x. Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.
- xi. Optional/additional information, is obtained with the explicit consent of the customer after the account is opened.
- xii. Customer will be subjected to the requirements of PML Act 2002 and guidelines issued by RBI/NHB from time to time. All documents as required in the application form of company will be obtained and verified.
- xiii. No transaction or account based relationship is undertaken without following the Customer Due Diligence procedure.
- xiv. Customer Due Diligence Procedure is followed for all the joint account holders, while opening a joint account.

- xv. Circumstances in which, a customer is permitted to act on behalf of another person/ entity, is clearly spelt out.
- xvi. 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 NHB and the sanctions lists circulated by RBI from time to time.
- xvii. No person will be allowed to act on behalf of the customer. In the following circumstances, the account may be operated by a mandate holder or the account may be opened by an intermediary in a fiduciary capacity hence the customer is permitted to act on behalf of another person/entity, in conformity with the established law and practices:
 - a. if applicant is NRI/PIO
 - b. If applicant is a limited company.
 - c. if applicant is a partnership firm or in accordance with prevailing law
- xviii. For existing customers who wish to pre-close their loan account with company following will be collected:
 - a. Permanent Address proof (as per guidelines)
 - b. A declaration from the customer regarding source of funds being used for pre-closure of the loan account.
 - c. Closure of the loan account authority will be restricted to authorized person.
- xix. Company will keep customer profile indicating information of customer's identity, social/financial status, nature of business activity, information about his clients business and their location etc. This document will be confidential and the details contained therein shall not be divulged for cross selling or any other purposes.
- xx. During the credit appraisal based on risk categorization as defined by company. The customer profile will 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 by the Company. At the time of credit appraisal of the applicant the details are recorded along with his profile based on meeting with the applicant apart from collection of applicable documents; this will be as per our credit and product norms which are incorporated in the operation manual and are in practice. However, while preparing customer profile, the Company will seek only such information from the customer which is relevant to the risk category and is not intrusive.

SRGHFL shall ensure that the adoption of Customer Acceptance Policy and its implementation shall not result in denial of SRGHFL's services to general public, especially to those, who are financially or socially disadvantaged.

MONITORING OF TRANSACTIONS

- 11.** The Company shall 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.

- 12.** The Company shall ensure that proper records of all cash transactions of Rs. 10 Lakhs and above. The cash transactions will 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 Lakhs 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 Lakhs; will be monitored closely and the record of details of such transactions will be kept in separate register and must be reported to the respective/Principal Officer.

13. 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; or
- gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;

All the transactions of suspicious nature, irrespective of any monetary ceiling (whether more than ten lakh or not), whether or not made in cash should be reported to the Principal Officer of the Company. The reporting formats of suspicious transactions are attached to the Circular No. NHB (ND)/DRS/ POL-No-14 /2006 dated July 25, 2006.

• ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO INDIVIDUALS HOUSING LOANS:

- a. Legal structure of client has been altered numerous times (name changes, transfer of ownership, change of corporate seat);
- b. Unnecessarily complex client structure;
- c. Individual or classes of transactions that take place outside the established business profile, and expected activities/ transaction unclear;
- d. Unusual financial transactions with unknown source;
- e. Payments received from un-associated or unknown third parties and payments for fees in cash where this would not be a typical method of payment;
- f. Investment in real estate at a higher/lower price than expected;
- g. Clients incorporated in countries that permit bearer shares;
- h. Customer is reluctant to provide information, data, documents;
- i. Submission of false documents, data, purpose of loan, details of accounts;
- j. Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc.;
- k. Reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons;
- l. Approaches a branch/office of a HFC, which is away from the customer's residential or business address provided in the loan application, when there is HFC branch/office nearer to the given address;
- m. Unable to explain or satisfy the numerous transfers in the statement of account/multiple accounts;

- n. Initial contribution made through unrelated third-party accounts without proper justification;
- o. Availing a top-up loan and/or equity loan, without proper justification of the end use of the loan amount;
- p. Suggesting dubious means for the sanction of loan;
- q. Where transactions do not make economic sense;
- r. There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
- s. Encashment of loan amount by opening a fictitious bank account;
- t. 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;
- u. Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase;
- v. Multiple funding of the same property/dwelling unit;
- w. Request for payment made in favour of a third party who has no relation to the transaction;
- x. 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.
- y. Multiple funding / financing involving NGO / Charitable Organization / Small / Medium Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFGs)
- z. Frequent requests for change of address;
- aa. Overpayment of installments with a request to refund the overpaid amount.

- **ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO BUILDER/PROJECT/CORPORATE CLIENTS:**

- a. Builder approaching the HFC 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 or if it appears that client does not wish to obtain necessary governmental approvals/ filings, etc.;
- d. Management appears to be acting according to instructions of unknown or inappropriate person(s);
- e. Employee numbers or structure out of keeping with size or nature of the business (for instance the turnover of a company is unreasonably high considering the number of employees and assets used);
- f. Entities with a high level of transactions in cash or readily transferable assets, among which illegitimate funds could be obscured;
- g. Advice on the setting up of legal arrangements, which may be used to obscure ownership or real economic purpose (including setting up of trusts, companies or change of name/ corporate seat or other complex group structures);
- h. Clients with multijurisdictional operations that do not have adequate centralized corporate oversight;

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

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

- (a) Register on the related e-filing portal of Income Tax Department as Reporting Financial Institutions at the link <https://incometaxindiaefiling.gov.in/> post login --> My Account --> Register as Reporting Financial Institution
 - (b) Submit online reports by using the digital signature of the 'Designated Director' by either uploading the Form 61Bor '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.
 - (c) 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.
 - (d) Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules.
 - (e) Constitute a "High Level Monitoring Committee" under the Designated Director or any other equivalent functionary to ensure compliance.
 - (f) Ensure compliance with updated instructions/ rules/ guidance notes/ Press releases/ issued on the subject by Central Board of Direct Taxes (CBDT) from time to time.
- (ii) 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.

15. Obligations under the Unlawful Activities (Prevention) (UAPA) Act, 1967:

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

- i. The "ISIL (Da'esh) & Al-Qaida Sanctions List", established and maintained pursuant to Security Council resolutions 1267/1989/2253, which includes names of individuals and entities associated with the Al-Qaida is available at <https://scsanctions.un.org/ohz5jen-al-qaida.html>
- ii. The "Taliban Sanctions List", established and maintained pursuant to Security Council resolution 1988 (2011), which includes names of individuals and entities associated with the Taliban is available at <https://scsanctions.un.org/3ppp1en-taliban.htm>

SRGHFL shall also ensure to refer to the lists as available in the Schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as amended from time to time. The aforementioned lists, i.e., UNSC Sanctions Lists and lists as available in the Schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as amended from time to time, shall be verified on daily basis and any modifications to the lists in terms of additions, deletions or other changes shall be taken into account by the REs for meticulous compliance.

(b) Details of accounts resembling any of the individuals/entities in the lists shall be reported to FIU-IND apart from advising Ministry of Home Affairs (MHA) as required under UAPA notification dated 104February 2, 2021 (Annex II of this Master Direction).

(c) Freezing of Assets under Section 51A of UAPA, 1967: The procedure laid down in the UAPA Order dated 105February 2, 2021 (Annex II of this Master Direction) shall be strictly followed

and meticulous compliance with the Order issued by the Government shall be ensured. The list of Nodal Officers for UAPA is available on the website of MHA.

16. REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA

SRGHFL shall furnish to the Director, Financial Intelligence Unit-India (FIU-IND), information referred to in rule 3 of the PML (Maintenance of Records) Rules, 2005 in terms of rule 7 thereof.

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

The reporting formats and comprehensive reporting format guide, prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist reporting entities in the preparation of prescribed reports shall be taken note of. The editable electronic utilities to file electronic Cash Transaction Reports (CTR) / Suspicious Transaction Reports (STR) which FIU-IND has placed on its website shall be made use of which are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data.

SRGHFL shall not put any restriction on operations in the accounts merely on the basis of the STR filed.

Every director, officers, and all employees of SRGHFL shall ensure that the fact of maintenance of records referred to in rule 3 of the PML (Maintenance of Records) Rules, 2005 and furnishing of the information to the Director is confidential. However, such confidentiality requirement shall not inhibit sharing of information under Section 4(b) of KYC Master Direction of any analysis of transactions and activities which appear unusual, if any such analysis has been done.

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

Suspicious Transaction Reports

Every banking company, financial institution and intermediary shall furnish to FIU-IND information of all suspicious transactions whether or not made in cash. Suspicious transaction 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 have no economic rationale or bonafide purpose; or
- (d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;

Broad categories of reason for suspicion and examples of suspicious transactions are indicated as under:

Identity of Client

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities

Suspicious Background

- Suspicious background or links with known criminals

Multiple Accounts

- Large number of accounts having a common account holder, introducer or authorized signatory with no rationale
- Unexplained transfers between multiple accounts with no rationale.

Activity in Accounts

- Unusual activity compared to past transactions
- Use of different accounts by client alternatively
- Sudden activity in dormant accounts
- Activity inconsistent with what would be expected from declared business
- Account used for circular trading

Nature of Transactions

- Unusual or unjustified complexity
- No economic rationale or bonafide purpose
- Source of funds are doubtful
- Appears to be case of insider trading
- Investment proceeds transferred to a third party
- Transactions reflect likely market manipulations
- Suspicious off market transactions

Value of Transactions

- Value just under the reporting threshold amount in an apparent attempt to avoid reporting
- Large sums being transferred from overseas for making payments
- Inconsistent with the clients apparent financial standing
- Inconsistency in the payment pattern by client
- Block deal which is not at market price or prices appear to be artificially inflated/deflated

The information to be furnished at the following address by the Principal Officer of the Company:

Director, FIU-IND, Financial Intelligence Unit-India, 6th 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.

- (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 and it shall be ensured that there is no tipping off to the customer at any level. However, Company shall not put any restriction on operations in the accounts where an STR has been filed.

It has been advised by the FIU-IND, New Delhi that HFCs need not submit 'NIL' reports in case there are no Cash/Suspicious Transactions, during a particular period. HFCs are advised to take note and act accordingly.

While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-represented transaction beyond the time limit as specified in the said Rules shall be constituted as a separate violation.

The required information is to be furnished by the HFCs directly to the FIU-IND, through the Principal Officer designated by the housing finance company under the Prevention of Money Laundering Act, 2002.

17. Obligations under Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (WMD Act, 2005):

(a) SRGHFL shall ensure meticulous compliance with the "Procedure for Implementation of Section 12A of the Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005" laid down in terms of Section 12A of the WMD Act, 2005 vide Order dated January 30, 2023, by the Ministry of Finance, Government of India (Annex III of this Master Direction).

(b) In accordance with paragraph 3 of the aforementioned Order, SRGHFL shall ensure not to carry out transactions in case the particulars of the individual / entity match with the particulars in the designated list.

(c) Further, SRGHFL shall run a check, on the given parameters, at the time of establishing a relation with a customer and on a periodic basis to verify whether individuals and entities in the designated list are holding any funds, financial asset, etc., in the form of bank account, etc.

(d) In case of match in the above cases, SRGHFL shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the Central Nodal Officer (CNO), designated as the authority to exercise powers under Section 12A of the WMD Act, 2005. A copy of the communication shall be sent to State Nodal Officer, where the account / transaction is held and to the RBI. SRGHFL shall file an STR with FIU-IND covering all transactions in the accounts, covered above, carried through or attempted.

It may be noted that in terms of Paragraph 1 of the Order, Director, FIU-India has been designated as the CNO.

(e) SRGHFL may refer to the designated list, as amended from time to time, available on the portal of FIU-India.

(f) In case there are reasons to believe beyond doubt that funds or assets held by a customer would fall under the purview of clause (a) or (b) of sub-section (2) of Section 12A of the WMD Act, 2005, SRGHFL shall prevent such individual/entity from conducting financial transactions, under intimation to the CNO by email, FAX and by post, without delay.

(g) In case an order to freeze assets under Section 12A is received by the SRGHFL from the CNO, It shall, without delay, take necessary action to comply with the Order.

(h) The process of unfreezing of funds, etc., shall be observed as per paragraph 7 of the Order. Accordingly, copy of application received from an individual/entity regarding unfreezing shall be forwarded by the Company along with full details of the asset frozen, as given by the applicant, to the CNO by email, FAX and by post, within two working days.

SRGHFL 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.

In addition to the above, SRGHFL shall take into account – (a) other UNSCRs and (b) lists in the first schedule and the fourth schedule of UAPA, 1967 and any amendments to the same for compliance with the Government orders on implementation of Section 51A of the UAPA and Section 12A of the WMD Act.

18. GENERAL

- i. Verify the details mentioned by the customer by contacting them at their residence and / or on business telephone numbers and / or physically visiting his/her residence and/or business addresses through agencies appointed for this purpose, if deemed necessary by the Company.
- ii. Customer would be informed to co-operate if the Company needs to investigate a transaction on his/her account and with the police/ other investigative agencies, if the Company needs to involve them.
- iii. The Company would advise the customer that if her / she act fraudulently, he/she will be responsible for all losses on his/her account and that if he/she act without reasonable care and this causes losses, he/she may be responsible for the same.
- iv. Company shall not discriminate on the basis of age, race, caste, gender, marital status, religion or disability.
- v. In case of any doubt or mistake it can be brought to the notice of the company and if there is any shortfall / mistake it will be rectified immediately.
- vi. The Company reserves to itself the right to alter/delete/add to these codes at any time without prior individual notice and such alterations /deletion/addition shall be binding.
- vii. The Company 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.

- viii. Persons authorized by HFCs for collecting deposits and/ or selling loan related products, their brokers/ agents or the like, shall be fully compliant with the KYC guidelines applicable to HFCs. All information shall be made available to the National Housing Bank to verify the compliance with the KYC guidelines and accept full consequences of any violation by the persons authorized by HFCs including brokers/ agents etc. who are operating on their behalf.
- ix. The Company shall ensure that the provisions of the PML Act, Rules framed thereunder and the Foreign Contribution (Regulation) Act, 2010, applicable, are adhered to strictly.

RISK MANAGEMENT

- 19.** The Board of Directors of SRGHFL shall ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation. It shall cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility shall be explicitly allocated within SRGHFL for ensuring that the company's policies and procedures are implemented effectively. SRGHFL shall, in consultation with the boards, devise procedures for creating Risk Profiles of existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.
- 20.** For Risk Management, SRGHFL shall have a risk-based approach which includes the following:
- a) Customers shall be categorized as low, medium and high-risk category, based on the assessment and risk perception of SRGHFL.
 - b) Broad principles may be laid down for risk-categorization of customers.
 - c) Risk categorization shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the customer's 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, forex transactions, etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.
 - d) The risk categorization of a customer and the specific reasons for such categorization shall be kept confidential and shall not be revealed to the customer to avoid tipping off the customer.

The Recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT) standards should also be used in risk assessment.

- e) SRG Housing Finance Limited has adopted effective KYC programme by establishing appropriate procedures and ensuring their effective implementation. Responsibility has been explicitly allocated so that the policies and procedures are implemented effectively. The company has a system for creating risk profile of its existing and new customers and applies measures to stop Money Laundering.

i. Internal Audit:

The Company's internal audit will evaluate and ensure adherence to the KYC policies and procedures. As a general rule, the compliance function will provide an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements. Internal Auditors may specifically check and verify the application of KYC procedures and comment on the lapses observed in this regard. The compliance in this regard will be put up before the Audit Committee of the Board along with their normal reporting frequency. A compliance confirmation will be obtained by the Principal Officer.

ii. Employee Training:

The Company shall have on- going employee training program so that the members of the staff are adequately trained in KYC procedures. Training requirements will have different focuses for frontline staff, compliance staff and staff dealing with new customers so that all those concerned fully understand the rationale behind the KYC policies and implement them consistently. Proper staffing of the audit function with persons adequately trained and well-versed in KYC/AML Measures policies of the HFC, regulation and related issues should be ensured.

iii. Customer Education

Implementation of KYC procedures requires Company to demand certain information from a customer which may be of personal nature or which has hitherto never been called for. The Company will educate the customer on the objectives of the KYC programme so that customer understands and appreciates the motive and purpose of collecting such information.

iv. Introduction of new Technologies

SRGHFL 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.

Further, SRGHFL shall ensure:

- a) to undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and

adoption of a risk-based approach to manage and mitigate the risks through appropriate EDD measures and transaction monitoring, etc.

Customers are encouraged to avail maximum use of e-payment facilities through their nearest bank branches.

v. KYC for the Existing Accounts

Company should apply the KYC norms to all the existing customers in a time bound manner. While the revised guidelines will apply to all new customers, Company should apply the same to the existing customers on the basis of materiality and risk. However, transactions in existing accounts should be continuously monitored and any unusual pattern in the operation of the account should trigger a review.

It may, however, be ensured that all the existing accounts of companies, firms, trusts, charities, religious organizations and other institutions are subjected to minimum KYC standards which would establish the identity of the natural/legal person and those of the 'beneficial owners'. Company may also ensure that accounts of similar nature are treated as new accounts at the time of renewal and subjected to revised KYC procedures.

vi. Non-Cooperation by the customer in respect of KYC norms:

Where the Company is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, The Company will follow up with the existing identified customers for KYC compliance, Closure decision if at all is required will depend upon our internal assessment and will be taken at a Senior Level and above only after issuing due notice to the customer explaining the reasons for taking such a decision.

vii. Appointment of Principal Officer

Company may appoint a senior management officer to be designated as 'Principal Officer'. Principal Officer shall be located at the head/satellite/branch office/Corporate Office of the company 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, Company and any other institution which are involved in the fight against money laundering and combating financing of terrorism. It should also be ensured that there is proper system of fixing accountability for serious lapses and intentional circumvention of prescribed procedures and guidelines.

viii. Maintenance of records of transactions

Company should introduce a system of maintaining proper record of transactions at each branch and a consolidated record for all the branches taken together at the registered office of the Company, of transactions (nature and value), in such form and for such period as specified under the Rule 3 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005. The procedure and manner of maintaining and verification and maintenance of records of the identity of the clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, 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 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;
- iii. all transactions involving receipts by non-profit organizations of rupees ten Lakhs or its equivalent in foreign currency;
- iv. all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- v. All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

SRGHFL will ensure that its branches, if any, will maintain proper record of all cash transactions (deposits and withdrawals) of Rs.10 Lakhs and above. The internal monitoring system should have an inbuilt procedure for reporting of such transactions and those of suspicious nature whether made in cash or otherwise, to controlling/head office on a fortnightly basis.

ix. Information to be preserved

Company is required to maintain the following information in respect of transactions referred to in rules mentioned:

- 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.

Company should take appropriate steps to 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. Further, Company should maintain for at least for reasonable years (generally ten) from the date of cessation of transaction between SRGHFL and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

Company should ensure that records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved after the business relationship is ended for atleast 5 years. The identification records and transaction data should be made available to the competent authorities upon request.

Explanation. – For the purpose of this Section, the expressions "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.

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 transactions between the clients and the housing finance company.

SRGHFL shall ensure that in case of customers who are non-profit organisations, the details of such customers are registered on the DARPAN Portal of NITI Aayog. If the same are not registered, SRGHFL shall register the details on the DARPAN Portal and shall also maintain such registration records for a period of five years after the business relationship between the customer and the Company has ended or the account has been closed, whichever is later.

CUSTOMER DUE DILIGENCE (CDD) PROCEDURE

21. Procedure for obtaining identification in case of individual:

While undertaking CDD, HFCs 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, authorized signatory or the power of attorney holder related to any legal entity:

- a) 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 containing details of identity and address, and one recent photograph; or
 - he decides to submit his Aadhaar number voluntarily to a SRGHFL notified under first proviso to sub-section (1) of section 11A of the PML Act; or
- aa) the proof of possession of Aadhaar number where offline verification can be carried out; or
- ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; or

- ac) the KYC Identifier with an explicit consent to download records from CKYCR; and
- b) the Permanent Account Number (PAN) or Form No. 60 as defined in Income-tax Rules,1962, as amended from time to time.
- c) 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 SRGHFL provided that where the customer has submitted,
- Aadhaar number under clause (a) above to a SRGHFL notified under first proviso to sub-section (1) of section 11A of the Act, SRGHFL shall carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect to the SRGHFL.
 - proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, the SRGHFL shall carry out offline verification.
 - an equivalent e-document of any OVD, the SRGHFL 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 I.
 - any OVD or proof of possession of Aadhaar number under clause (ab) above where offline verification cannot be carried out, SRGHFL shall carry out verification through digital KYC as specified under Annex I.
 - KYC Identifier under clause (ac) above, the SRGHFL shall retrieve the KYC records online from the CKYCR in accordance with Section 56.

A document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.

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:-

- utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- property or Municipal tax receipt;
- pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
- 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 license agreements with such employers allotting official accommodation

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

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

Provided that for a period not beyond such date as may be notified by the Government for a SRGHFL, instead of carrying out digital KYC, the SRGHFL pertaining to such class 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.

Provided further that in case e-KYC authentication cannot be performed for an individual desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, SRGHFL shall, apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD or the equivalent e-document thereof from the customer. CDD done in this manner shall invariably be carried out by an official of the SRGHFL and such exception handling shall also be a part of the concurrent audit as mandated in Section 8. SRGHFL shall ensure to duly record the cases of exception handling in a centralized exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorizing the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by the SRGHFL and shall be available for supervisory review.

Explanation 1: SRGHFL shall, where its customer submits a proof of possession of Aadhaar Number containing Aadhaar Number, ensure that such customer redacts or blacks out his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required as per proviso (iii) above.

Explanation 2: Biometric based e-KYC authentication can be done by bank official/business correspondents/business facilitators.

Explanation 3: The use of Aadhaar, proof of possession of Aadhaar etc., shall be in accordance with the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act, 2016 and the regulations made thereunder.

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

- there must be a specific consent from the customer for authentication through OTP.
- As a risk-mitigating measure for such accounts, SRGHFL shall ensure that transaction alerts, OTP, etc., are sent only to the mobile number of the customer registered with Aadhaar. SRGHFL shall have a board approved policy delineating a robust process of due diligence for dealing with requests for change of mobile number in such accounts.
- Accounts, opened using OTP based e-KYC shall not be allowed for more than one year within which identification as per Section 21 is to be carried out. If Aadhaar details are used under V-CIP, the process shall be followed in its entirety including fresh Aadhaar OTP authentication.
- 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 Regulating Entity (RE). Further, while uploading KYC information to CKYCR, SRGHFL 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.
- SRGHFL 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.

23. SRGHFL may undertake V-CIP to carry out:

- i. CDD in case of new customer on-boarding for individual customers, proprietor in case of proprietorship firm, authorized signatories and Beneficial Owners (BOs) in case of Legal Entity (LE) customers.
Provided that in case of CDD of a proprietorship firm, SRGHFL shall also obtain the equivalent e-document of the activity proofs with respect to the proprietorship firm, as mentioned in Section 24, apart from undertaking CDD of the proprietor.
- ii. Conversion of existing accounts opened in non-face to face mode using Aadhaar OTP based e-KYC authentication as per Section 22 above.
- iii. Updation/Periodic updation of KYC for eligible customers.

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

- The V-CIP infrastructure / application should be capable of preventing connection from IP addresses outside India or from spoofed IP addresses.
- The official of the SRGHFL performing the V-CIP shall record video as well as capture photograph of the customer present for identification and obtain the identification information of Aadhaar through Offline Verification.
- Disruption of any sort including pausing of video, reconnecting calls, etc., should not result in creation of multiple video files. If pause or disruption is not leading to the creation of multiple files, then there is no need to initiate a fresh session. However, in case of call drop / disconnection, fresh session shall be initiated.
- SRGHFL 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.
- Use of printed copy of equivalent e-document including e-PAN is not valid for the V-CIP.
- Live location of the customer (Geo tagging) shall be captured to ensure that customer is physically present in India
- The official of the SRGHFL 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.
- The official of the SRGHFL 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
- 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 and to undertake the video process is not older than 3 working days from the date of carrying out V-CIP.
- All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process.
- SRGHFL 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. SRGHFL shall carry out the liveness check in order to guard against spoofing and such other fraudulent manipulations.
- To ensure security, robustness and end to end encryption, the SRGHFL shall carry out software and security audit and validation of the V-CIP application before rolling it out.
- The audiovisual interaction shall be triggered from the domain of the SRGHFL 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.

- SRGHFL 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 SRGHFL.
- SRGHFL shall ensure to redact or blackout the Aadhaar number in terms of Section 21.

V-CIP Records and Data Management

- i. The entire data and recordings of V-CIP shall be stored in a system/systems located in India. SRGHFL shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp that affords easy historical data search. The extant instructions on record management, as stipulated in this MD, shall also be applicable for V-CIP.
- ii. The activity log along with the credentials of the official performing the V-CIP shall be preserved.

d) If a customer having an existing account-based relationship with the SRGHFL 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 HFC shall be closed and all obligations due in relation to the account shall be appropriately settled after establishing the identity of the customer.

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

24. Procedure for obtaining identification in case of Sole Proprietary Firms:

For opening an account in the name of a sole proprietary firm, identification information as mentioned under Section 21 above in respect of the individual (proprietor) shall be obtained.

In addition to the above, any two of the following documents or the equivalent e-documents there of as a proof of business/ activity in the name of the proprietary firm shall also be obtained:

- a) Registration certificate including Udyam Registration Certificate (URC) issued by the Government
- b) Certificate/licence issued by the municipal authorities under Shop and Establishment Act.
- c) Sales and income tax returns
- d) CST/VAT/GST certificate (provisional/ final).
- e) Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.
- f) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT/Licence/ Certificate of Practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
- g) Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities.
- h) Utility bills such as electricity, water, and landline telephone bills.

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

Provided SRGHFL undertake contact point verification and collect such other information and clarification as would be required to establish the existence of such firm, and shall confirm and satisfy itself that the business activity has been verified from the address of the proprietary concern.

25. Procedure for obtaining identification in case of Legal Entities:

For opening an account of a company, one certified copy of each of the following documents or the equivalent e-documents there of shall be obtained:

- Certificate of incorporation;
- Memorandum and Articles of Association;
- PAN of the company
- A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf;
- Documents, as specified in section 21 above, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf
- the names of the relevant persons holding senior management position; and
- the registered office and the principal place of its business, if it is different.

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

- Registration certificate;
- Partnership deed;
- PAN of the partnership firm
- Documents, as specified in section 21 above, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf
- the names of all the partners and
- address of the registered office, and the principal place of its business, if it is different.

For opening an account of a trust, one certified copy of each of the following documents or the equivalent e-documents there of shall be obtained:

- Registration certificate;
- Permanent Account Number or Form No.60 of the trust
- Trust deed;
- Documents, as specified in section 21 above, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf
- the names of the beneficiaries, trustees, settler, protector, if any and authors of the trust
- the address of the registered office of the trust; and
- list of trustees and documents, as specified in Section 16, for those discharging the role as trustee and authorised to transact on behalf of the trust.

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

- resolution of the managing body of such association or body of individuals;
- PAN or Form No.60 of the unincorporated association or a body of individuals
- power of attorney granted to transact on its behalf

Documents, as specified in section 21 above, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf and Such information as may be required by the SRGHFL to collectively establish the legal existence of such an association or body of individuals.

Unregistered trusts/partnership firms shall be included under the term 'unincorporated association' and the term 'body of individuals', includes societies

For opening account of a customer who is a juridical person (not specifically covered in the earlier part) such as societies, universities and local bodies like village panchayats, etc., or who purports to act on behalf of such juridical person or individual or trust, certified copies of the following documents or the equivalent e-documents thereof shall be obtained and verified:

- Document showing name of the person authorized to act on behalf of the entity
- Documents, as specified in section 21 above, of the person holding an attorney to transact on its behalf and
- Such documents as may be required by the SRGHFL to establish the legal existence of such an entity/juridical person.

Provided that in case of a trust, the SRGHFL shall ensure that trustees disclose their status at the time of commencement of an account-based relationship or when carrying out transactions as specified in clauses (d) and (e) of Section 9 of this policy.

26. Procedure for identification of Beneficial Owner:

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

- Where the customer or the owner of the controlling interest is (i) a company listed on a stock exchange in India, or (ii) it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions, or (iii) it is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.
- In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

ONGOING DUE DILIGENCE

27. SRGHFL 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/wealth.

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, SRGHFL may consider adopting 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 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.

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.

28. Updation/Periodic Updation of KYC

SRGHFL shall adopt a risk-based approach for periodic updation of KYC ensuring that the information or data collected under CDD is kept up-to-date and relevant, particularly where there is high risk. However, 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 from the date of opening of the account / last KYC updation, as per the following procedure:

a) Individuals:

No change in KYC information: In case of no change in the KYC information, a self-declaration from the customer in this regard shall be obtained through customer's email-id, mobile number registered with the SRGHFL and letter.

Change in address: In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer's email-id, customer's mobile number registered with the SRGHFL, letter, etc., and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables, etc.

Further, SRGHFL, at its option, may obtain a copy of OVD or deemed OVD or the equivalent e-documents thereof, as defined in Section 3(a)(xiii), for the purpose of proof of address, declared by the customer at the time of periodic updation. Such requirement, however, shall be clearly specified by the SRGHFL in its internal KYC policy duly approved by the Board of Directors or any committee of the Board to which power has been delegated.

Aadhaar OTP based e-KYC in non-face to face mode may be used for periodic updation. To clarify, conditions stipulated in Section 22 above are not applicable in case of updation / periodic updation of KYC through Aadhaar OTP based e-KYC 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. SRGHFL shall ensure that the mobile number for Aadhaar authentication is same as the one available with them in the customer's profile, in order to prevent any fraud.

b) Customers other than individuals:

No change in KYC information: In case of no change in the KYC information of the LE customer, a self-declaration in this regard shall be obtained from the LE customer through its email id registered with the Company, letter from an official authorized by the LE in this regard, board resolution, etc. Further, SRGHFL 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.

Change in KYC information: In case of change in KYC information, SRGHFL shall undertake the KYC process equivalent to that applicable for on-boarding a new LE customer.

c) Additional measures: In addition to the above, SRGHFL shall ensure that,

- i. The KYC documents of the customer as per the current CDD standards are available with them. This is applicable even if there is no change in customer information but the documents available with the Company are not as per the current CDD standards. Further, in case the validity of the CDD documents available with the Company has expired at the time of periodic updation of KYC, SRGHFL shall undertake the KYC process equivalent to that applicable for on-boarding a new customer.
- ii. Customer's PAN details, if available with the Company, is verified from the database of the issuing authority at the time of periodic updation of KYC.
- iii. Acknowledgment is provided to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out periodic updation. Further, it shall be ensured that the information / documents obtained from the customers at the time of periodic updation of KYC are promptly

updated in the records / database of the Company and an intimation, mentioning the date of updation of KYC details, is provided to the customer.

- iv. In order to ensure customer convenience, SRGHFL may consider making available the facility of periodic updation of KYC at any branch, in terms of its internal KYC policy duly approved by the Board of Directors or any committee of the Board to which power has been delegated.
- v. SRGHFL shall adopt a risk-based approach with respect to periodic updation of KYC.

d)SRGHFL shall advise the customers that 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 to the Company the update of such documents. This shall be done within 30 days of the update to the documents for the purpose of updating the records at Company's end.

In case of existing customers, SRGHFL shall obtain the Permanent Account Number or equivalent e-document thereof or Form No. 60, by such date as may be notified by the Central Government, failing which SRGHFL shall temporarily cease operations in the account till the time the Permanent Account Number or equivalent e-documents thereof or Form No. 60 is submitted by the customer.

Provided that before temporarily ceasing operations for an account, the Company shall give the customer an accessible notice and a reasonable opportunity to be heard. Further, Company shall include, in its internal policy, appropriate relaxation(s) for continued operation of accounts for customers who are unable to provide Permanent Account Number or equivalent e-document thereof or Form No. 60 owing to injury, illness or infirmity on account of old age or otherwise, and such like causes. Such accounts shall, however, be subject to enhanced monitoring.

Provided further that if a customer having an existing account-based relationship with SRGHFL, gives in writing that he does not want to submit his Permanent Account Number or equivalent e-document thereof or Form No.60, Company shall close the account and all obligations due in relation to the account shall be appropriately settled after establishing the identity of the customer by obtaining the identification documents as applicable to the customer.

Explanation – For the purpose of this Section, “temporary ceasing of operations” in relation an account shall mean the temporary suspension of all transactions or activities in relation to that account by the Company till such time the customer complies with the provisions of this Section. In case of asset accounts such as loan accounts, for the purpose of ceasing the operation in the account, only credits shall be allowed.

ENHANCED AND SIMPLIFIED DUE DILIGENCE PROCEDURE

29. Enhanced Due Diligence

Enhanced Due Diligence (EDD) for non-face-to-face customer on-boarding (other than customer on-boarding in terms of Section 22 above): Non-face-to-face on-boarding facilitates the SRGHFL to establish relationship with the customer without meeting the customer physically or through V-CIP. Following EDD measures shall be undertaken by SRGHFL for non-face-to-face customer on-boarding (other than customer on-boarding in terms of Section 22 above):

- a) In case the Company has introduced the process of V-CIP, the same shall be provided as the first option to the customer for remote on-boarding. It is reiterated that processes

complying with prescribed standards and procedures for V-CIP shall be treated on par with face-to-face CIP for the purpose of this Master Direction.

- b) In order to prevent frauds, alternate mobile numbers shall not be linked post CDD with such accounts for transaction OTP, transaction updates, etc. Transactions shall be permitted only from the mobile number used for account opening. SRGHFL shall have a Board approved policy delineating a robust process of due diligence for dealing with requests for change of registered mobile number.
- c) Apart from obtaining the current address proof, SRGHFL shall verify the current address through positive confirmation before allowing operations in the account. Positive confirmation may be carried out by means such as address verification letter, contact point verification, deliverables, etc.
- d) SRGHFL shall obtain PAN from the customer and the PAN shall be verified from the verification facility of the issuing authority.
- e) First transaction in such accounts shall be a credit from existing KYC-complied bank account of the customer.
- f) Such customers shall be categorized as high-risk customers and accounts opened in non-face to face mode shall be subjected to enhanced monitoring until the identity of the customer is verified in face-to-face manner or through V-CIP.

RECORD MANAGEMENT

- 30.** The following steps shall be taken regarding maintenance, preservation and reporting of customer information, with reference to provisions of PML Act and Rules. SRGHFL shall,
- a. maintain all necessary records of transactions between the SRGHFL 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. maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:
 - i. the nature of the transactions;
 - ii. the amount of the transaction and the currency in which it was denominated;
 - iii. the date on which the transaction was conducted; and
 - iv. the parties to the transaction.
 - f. evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities;
 - g. maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format.

Explanation – For the purpose of this Section, the expressions "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.

SRGHFL shall ensure that in case of customers who are non-profit organisations, the details of such customers are registered on the DARPAN Portal of NITI Aayog. If the same are not registered, SRGHFL shall register the details on the DARPAN Portal. SRGHFL shall also maintain such registration records for a period of five years after the business relationship between the customer and the SRGHFL has ended or the account has been closed, whichever is later.

31. Accounts of Politically Exposed Persons (PEPs)

SRGHFL shall have the option of establishing a relationship with PEPs (whether as customer or beneficial owner) provided that, apart from performing normal customer due diligence:

- a. To have in place appropriate risk management systems to determine whether the customer or the beneficial owner is a PEP;
- b. Reasonable measures are to be taken for establishing the source of funds / wealth;
- c. the identity of the person shall have been verified before accepting the PEP as a customer;
- d. the decision to open an account for a PEP is taken at a senior level in accordance with the SRGHFL' Customer Acceptance Policy;
- e. all such accounts are subjected to enhanced monitoring on an on-going basis;
- f. in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval is obtained to continue the business relationship;

These instructions shall also be applicable to family members or close associates of PEPs.

Explanation: For the purpose of this Section, "Politically Exposed Persons" (PEPs) are individuals who are or have been entrusted with prominent public functions by a foreign country, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials.

32. Jurisdictions that do not or insufficiently apply the FATF Recommendations

- a. FATF Statements circulated by Reserve Bank of India from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered. SRGHFL shall apply enhanced due diligence measures, which are effective and proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF.
- b. Special attention shall be given to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF Statements.

Explanation: The processes referred to in (a) & (b) above do not preclude SRGHFL from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statement.

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

OTHER INSTRUCTIONS

33. Secrecy Obligations and Sharing of Information:

- a) SRGHFL shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the lender and customer.
- b) While considering the requests for data/information from Government and other agencies, HFCs 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.
- c) The exceptions to the said rule shall be as under:
 - i. Where disclosure is under compulsion of law
 - ii. Where there is a duty to the public to disclose,
 - iii. the interest of SRGHFL requires disclosure and
 - iv. Where the disclosure is made with the express or implied consent of the customer.

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

- a) In terms of provision of Rule 9(1A) of PML Rules, the SRGHFL shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.
- b) Operational Guidelines for uploading the KYC data have been released by CERSAI.
- c) SRGHFL shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as per the KYC templates prepared for 'Individuals' and 'Legal Entities' (LEs), as the case may be. The templates may be revised from time to time, as may be required and released by CERSAI.
- d) SRGHFL shall start uploading the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017, with CKYCR in terms of the provisions of the Rules *ibid*.
- e) SRGHFL shall upload KYC records pertaining to accounts of LEs opened on or after April 1, 2021, with CKYCR in terms of the provisions of the Rules *ibid*. The KYC records have to be uploaded as per the LE Template released by CERSAI.
- f) Once KYC Identifier is generated by CKYCR, SRGHFL shall ensure that the same is communicated to the individual/LE as the case may be.
- g) In order to ensure that all KYC records are incrementally uploaded on to CKYCR, SRGHFL shall upload/update the KYC data pertaining to accounts of individual customers and LEs opened prior to the above-mentioned dates as per (e) and (f) respectively at the time of periodic updation as specified in Section 38 of this Master Direction, or earlier, when the updated KYC information is obtained/received from the customer.

- h) SRGHFL shall ensure that during periodic updation, the customers are migrated to the current CDD standard.
- i) Where a customer, for the purposes of establishing an account-based relationship, submits a KYC Identifier to a company, with an explicit consent to download records from CKYCR, then SRGHFL shall retrieve the KYC records online from the CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless –
 - i. there is a change in the information of the customer as existing in the records of CKYCR;
 - ii. the current address of the customer is required to be verified;
 - iii. the RE considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.
 - iv. the validity period of documents downloaded from CKYCR has lapsed.

35. Accounts of Legal Persons or Entities

The Company shall verify the legal status of the legal person/ entity through proper and relevant documents.

The Company shall 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.

In case of client accounts opened by a professional intermediary the Company will 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. However, Company shall ensure while opening customer's accounts through professional intermediaries, that:

- (a) Customer shall be identified when client account is opened by a professional intermediary on behalf of a single client.
- (b) Option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.
- (c) Not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the Company.
- (d) All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of Company, and there are 'subaccounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of Company, the Company shall look for the beneficial owners.
- (e) Company shall, at its discretion, rely on the CDD done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers.

(f) The ultimate responsibility for knowing the customer lies with the Company.

The decision to open accounts of a Politically Exposed Person (PEP) will be taken only in consultation with the level of the respective authorities. Company shall have the option of establishing a relationship with PEPs provided that:

(a) sufficient information about the sources of funds accounts of family members and close relatives is gathered on the PEP;

(b) the identity of the person shall have been verified before accepting the PEP as a customer;

(c) the decision to open an account for a PEP is taken at the senior level in accordance with the Company's Customer Acceptance Policy;

(d) all such accounts are subjected to enhanced monitoring on an on-going basis;

(e) in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval is obtained to continue the business relationship;

(f) the CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.

The above instructions shall also be applicable to accounts where a PEP is the beneficial owner.

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. Further, Company shall ensure that the first payment is to be effected through the customer's KYC-complied account, for enhanced due diligence of non-face to face customers.

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

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

(b) The SRGHFL shall, at their option, not issue UCIC to all walk-in/occasional customers 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.

Annex I
Digital KYC Process

- a) The SRGHFL 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 the SRGHFL.
- b) The access of the Application shall be controlled by the SRGHFL 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 SRGHFL to its authorized officials
- c) The customer, for the purpose of KYC, shall visit the location of the authorized official of the RE or vice-versa. The original OVD shall be in possession of the customer.
- d) The SRGHFL 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 watermark in readable form having CAF number, GPS coordinates, authorized official's name, unique employee Code (assigned by SRGHFL) and Date (DD:MM:YYYY) and time stamp (HH:MM:SS) on the captured live photograph of the customer
- e) The Application of the SRGHFL 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 officers registered with the SRGHFL shall not be used for customer signature. The SRGHFL 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 OTP which will be sent to his mobile number registered with the SRGHFL. 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 the SRGHFL, 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 the SRGHFL shall check and verify that information available in the picture of document is matching with the information entered by authorized officer in CAF:
- live photograph of the customer matches with the photo available in the document; and
 - 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 SRGHFL 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.

(Updated till 22-01-2024)

End of Document